REPORT NO.
**145**

# PARLIAMENT OF INDIA

## RAJYA SABHA

**DEPARTMENT RELATED PARLIAMENTARY STANDING COMMITTEE**

**ON COMMERCE**

**ONE HUNDRED AND FORTY FIFTH REPORT**

# IMPACT OF CHINESE GOODS ON INDIAN INDUSTRY

*(Presented to the Rajya Sabha on 26th July, 2018)*
*(Laid on the Table of Lok Sabha on 26th July, 2018)*

**Rajya Sabha Secretariat, New Delhi**
**July, 2018/ Shravana, 1940 (Saka)**

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**C O N T E N T S**



* To be appended at printing stage

## COMPOSITION OF THE COMMITTEE

*(Constituted w.e.f. 1st September, 2017)*

1. Shri Naresh Gujral —*Chairman*

**RAJYA SABHA**

&2. Shri Joy Abraham
3. Shrimati Roopa Ganguly
4. Shri Ram Kumar Kashyap
5. Shrimati Thota Seetharama Lakshmi
@6. Shri Kiranmay Nanda
7. Shri Vayalar Ravi
8. Shri Kapil Sibal
9. Dr. Kanwar Deep Singh
#10. Dr. Abhishek Manu Singhvi
$11. Shri Sushil Kumar Gupta
%12. Shri M.P. Veerendra Kumar

**LOK SABHA**

13. Shri Dibyendu Adhikari
14. Shri Subhash Chandra Baheria
15. Shri Abhishek Banerjee
16. Shri Bodhsingh Bhagat
17. Shrimati Bijoya Chakravarty
18. Shri Jitendra Chaudhury
19. Shri Dushyant Chautala
20. Shri Chhotelal
21. Dr. Kambhampati Haribabu
22. Shrimati Kavitha Kalvakuntla
23. Shri Saumitra Khan
24. Shri Dhananjay Mahadik
25. Shri Thota Narasimham
26. Shri Kamal Nath
27. Shri Kamlesh Paswan
28. Shri K.R.P. Prabhakaran
29. Shri T. Radhakrishnan
30. Shri Janak Ram
31. Shri D. S. Rathod
32. Adv. Narendra Keshav Sawaikar
33. Shri Vinod Kumar Sonkar

**SECRETARIAT**

Shri Jagdish Kumar, Joint Secretary
Shri A.K. Gandhi, Director
Shri Narendra Kumar, Additional Director
Shri Amit Kumar, Deputy Secretary

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@ Retired w.e.f. 2nd April, 2018.
# Retired w.e.f. 3rd April, 2018.
$ Nominated w.e.f. 2nd June, 2018.
% Nominated w.e.f. 2nd June, 2018.
& Retired w.e.f. 1st July, 2018.

## INTRODUCTION

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Forty Fifth Report on Impact of Chinese goods on Indian Industry.

2. The Committee took up the subject for detailed examination on 6th October, 2017 and the same was notified *vide* Parliamentary Bulletin Part-II dated 13th October, 2017. As part of examination of the subject, the Committee considered the subject in detail spanning over four meetings wherein it heard the views of Secretaries of Department of Commerce and Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Director General of Bureau of Indian Standards (BIS), Chairperson of Central Board of Indirect Taxes and Customs (CBIC), Designated Authority of Directorate General of Anti-Dumping and Allied Duties (DGAD), Director General of Directorate of Revenue Intelligence (DRI) and representatives of Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Indian Solar Manufacturers Association (ISMA), Federation of Indian Export Organisations (FIEO). The Committee also undertook one study visit to Mumbai, Hyderabad and Bengaluru from 15th to 19th January, 2018. The Committee, during the study visits, had interactions with various stakeholders and also the representatives of the State Governments.

3. A *Press Communiqué* was published on 8th March, 2018 in the media with a view to elicit views of individuals and organizations on the subject. In response, a total of 24 memoranda were received **(Annexure II).** The points raised therein have also been duly considered by the Committee.

4. The Committee considered the draft Report and adopted the same at its meeting held on 23rd July, 2018.

5. The Committee expresses its sincere gratitude to all the representatives of the various Departments / Ministries, organizations and individuals for placing before it their valuable suggestions, materials and information required in connection with the examination of the subject.

New Delhi;
*July 23, 2018*
*1 Shravana, 1940*

NARESH GUJRAL
*Chairman,*
*Department Related Parliamentary*
*Standing Committee on Commerce*
*Rajya Sabha*

## ACRONYMS

| | |
|---|---|
| ACU | Agreement on Customs Valuation |
| ADD | Anti-Dumping Duty |
| AIU | Air Intelligence Unit |
| APIs | Active Pharmaceutical Ingredients |
| ASTM | American Society for Testing and Materials |
| BIS | Bureau of Indian Standards |
| CBIC | Central Board of Indirect Taxes and Customs |
| CCTV | Closed Circuit Television |
| CIU | Central Intelligence Unit |
| CRO | Compulsory Registration Order |
| CVDs | Countervailing Duties |
| DFTP | Duty Free Tariff Preference |
| DG | Director General |
| DGAD | Directorate General of Anti-Dumping & Allied Duties |
| DGFT | Directorate General of Foreign Trade |
| DGTR | Directorate General of Trade Remedies |
| DIPP | Department of Industrial Policy and Promotion |
| DMs | District Magistrates |
| DRI | Directorate of Revenue Intelligence |
| EDI | Electronic Data Interchange |
| EN | European Norms |
| EU | European Union |
| FDF | Finished Dosage Formulation |
| FMCS | Foreign Manufacturer Certification Scheme |
| FSSAI | Food Safety and Standards Authority of India |
| FTAs | Free Trade Agreements |
| GDP | Gross domestic product |
| GOI | Government of India |
| GST | Goods and Service Tax |
| GW | Giga Watts |
| ICDS | Inland Container Depot |
| IDPL | Indian Drugs and Pharmaceuticals Limited |
| ILAC | International Laboratory Accreditation Cooperation |

| | |
|---|---|
| IS | Indian Standards |
| ISMA | Indian Solar Manufacturing Association |
| ISO | International Organization for Standardization |
| JNPT | Jawaharlal Nehru Port Trust |
| KSMs | Key Standing Materials |
| LDC | Least Developed Countries |
| LED | Light-Emitting Diode |
| MeitY | Ministry of Electronics and Information Technology |
| MFN | Most Favoured Nation |
| M-SIPS | Modified Special Incentive Package Scheme |
| MSMEs | Micro, Small & Medium Enterprises |
| NABL | National Accreditation Board for Laboratories |
| NLEM | National List of Essential Medicines |
| NPAs | Non-performing Asset |
| PBS | Public Bike Share |
| PESO | Petroleum and Explosives Safety Organisation |
| PSUs | Public Sector Undertakings |
| QCO | Quality Control Order |
| R&D | Research and Development |
| RCEP | Regional Comprehensive Economic Partnership |
| RMS | Risk Management System |
| SHG | Self Help Group |
| SIIB | Special Intelligence and Investigation Branch |
| SIPS | Special Incentive Package Scheme |
| SMEs | Small and Medium Enterprises |
| SSIs | Small Scale Industries |
| SWIFT | Single Window Interface for Facilitating Trade |
| USD | United States Dollar |
| VAT | Value-Added Tax |
| WTO | World Trade Organization |

# REPORT

## INTRODUCTION

1.1 India has been showing negative balance of trade in its bilateral trade with China. There has been a steady rise in imports from China. The bilateral trade has increased from USD 38 billion in 2007-08 to around USD 89.6 billion in 2017-18. In 2013-14, the Chinese import was approximately to the tune of about 11.6 % of all Indian imports. Moving on to 2017-18, it has increased to about 16.6%. The annual year-on-year growth in Chinese imports was about 9% in 2013-14 and this has risen to 20% in 2017-18. The trade deficit with China at USD 63 billion constitutes more than 40 per cent of India's total trade deficit. The Chinese goods itself constitute about one-sixth of all imports in terms of quantum in India. During the period 2007-08 to 2017-18, there has been an increase in India's exports to China by USD 2.5 billion; the imports, however, increased by USD 50 billion during this period.

1.2 Increasing imports from China has been attributed primarily to the fact that Chinese exports to India rely strongly on manufactured items to meet the demand of fast expanding sectors like telecom and power, while India's exports to China are characterized predominantly by primary products. Of late, export of some value-added products like electrical machinery, auto components, marine products, drugs and pharmaceuticals have started. However, the exports of these products are still sub-optimal on account of restricted market access by China.

1.3 The Committee was informed by various stakeholders that the ever-increasing Chinese imports have played a negative role for the domestic industry. The Committee finds that a number of industries that have been adversely affected by the import of Chinese goods are labour intensive. These industries have traditionally been large employment generators in India (e.g., textiles) or are likely to become so (e.g., solar industry). The Committee decided to examine the subject threadbare as downsize or close down of units in such sectors will have a direct impact on employment. The stainless-steel industry is a case in point, where a number of MSMEs have had to close down, particularly manufacturers of stainless steel grades of the 200 series due to Chinese import. The Committee is further of the view that downsizing or closing down of units in India will naturally affect tax collections and impinge upon the Make in India programme. Further, the closure of industry will also stress the banking sector which already is reeling under the burden of huge NPAs. In addition to revenue and employment, low-quality Chinese imports also have an adverse impact on the environment. For instance, import of impure chemicals affects the environment, and results in low quality agrochemicals (pesticides) thus affecting Indian farmers. Poor quality toys, colours, firecrackers, statues of gods and goddesses, etc. from China, are health hazards in Indian household. Further, import dependence on China in some of the key products like bulk drugs on which our pharmaceutical industry is heavily dependent is quite worrisome.

1.4 At a time when there is an urgent need to stimulate our manufacturing sector to at least 25 percent of country's GDP, Chinese imports have thrown a spanner in the wheel of India's economic progress *per se* and industrial manufacturing in particular. The Chinese import is so hard-hitting on Indian industry that many manufacturers have been forced to become traders. It will serve better to remember that a country with poor manufacturing base can never become an economic power-house in the comity of nations. India can ill afford such a situation. In fact, the problem of Chinese dumping is a matter of concern across the globe.

**CHINA'S EXPORT COMPETITIVENESS**

2.1 The Committee interacted with the representatives of Indian Industry and other stakeholders to understand the reasons behind the rising Chinese imports that have huge cost for Indian industry. It finds that Chinese goods are much more competitive than Indian goods. It is noted that Chinese competitiveness is mainly the outcome of the efforts and support of the Chinese Government.

2.2 The Committee notes that China is not recognized by WTO as a market economy mainly because of the lack of transparency in its trade policy. A large number of companies which are dominant player in exports are Government controlled enterprises. While China has been long accused of manipulating its currency to maintain export competitiveness, it has also been found guilty of unfair trade practices like export subsidies that are in contravention to WTO regulations. China accounts for the maximum number of Anti Dumping Duty/Countervailing Duty investigations around the world. China being unmindful of the WTO is acknowledged as a matter of concern by the European Union and the United States. The Committee was given to understand that Chinese Government gives export rebate to the tune of 17% to their exporters. Effectively, this makes Chinese goods being imported cheaper by 5-6% than the Indian counterpart. Further, regional provinces in China extend incentives and rebates on the tax structure and are competing with each other to attract industries in their region and also promoting exports big time by extending sizeable incentives (even on software downloads and logistics compensation for long distance freight) which makes Chinese products cost effective.

2.3 However, apart from WTO non-compliant trade measures, Chinese competitiveness is also led by an enabling policy environment wherein the Government has made considerable interventions in ensuring that all the factors of production i.e. land, labour, capital - are available at the cheapest cost to its manufacturers. The lending rates in China are very industry friendly while in India, the banks offer one of the highest lending rates to the industry. Our industry is borrowing anywhere between 11 and 14% while the Chinese are getting loans at 6%. Also, logistic costs in China are one of the lowest in Asia and much lower than India. The Chinese cost of logistics is 1% of their business. In India, it calculates to 3%. Similarly, the effective cost of electricity in India is anywhere between twelve and fourteen rupees which is higher in comparison to China. India suffers cost competitiveness by almost 9% to their competition with China on account of energy, finance and logistics.

2.4 The Committee notes that the Chinese competitiveness is established and maintained across the sector - from raw material to components and parts to final product assembly. China today has one of the most robust supply chains across the globe. Besides, the Chinese competitiveness is based on an export oriented strategy. It produces consumer goods on a very large scale and therefore is able to take benefit of economies of scale. Chinese manufacturers are producing different qualities according to demand including cheap poor quality products also. Such poor quality products are available at lower prices in Indian markets.

**TRADE REMEDIAL MEASURES AND ENFORCEMENT**

3.1 The deluge of Chinese imports in the Indian market is wiping out many domestic industries and is a cause for serious concern. The Committee while examining the subject interacted with various stakeholders. The common thread in these deliberations has been the under invoicing of Chinese goods, dumping of cheap Chinese goods in the Indian markets, entry of prohibited Chinese goods by misdeclaration and outright smuggling. Dumping has been flagged as the major threat to domestic industry.

3.2 In response to the concerns of the Committee regarding Government's initiative to counter the debilitating impact of Chinese import on Indian Industry, the Department of Commerce has informed that India has an elaborate and robust legal framework and institutional set up to protect its environment, life and health of its people, plants and animals. All goods imported into India are subject to domestic laws, rules, orders, regulations, technical specifications, environment and safety norms that are notified from time to time. It was further informed that since both India and China are members of the WTO, therefore, no restrictions can be imposed on trade if the same is WTO compliant i.e. there is no violation of domestic rules and regulations. However, in case the Government considers any measure as inconsistent with the WTO agreement and impacting India's trade interest, the matter is taken up at appropriate forum including the bilateral and multilateral forums (WTO Committee).

3.3 It was also informed that India does not have any bilateral trade agreement with China giving them preferential treatment. China has been accorded MFN status as envisaged for WTO Members States. The applicable rates of duties are thus charged on imports from China. Except approximately five hundred tariff lines which are either "restricted" or "prohibited" for import, all other goods/ products are " free" for import, subject to these meeting/fulfilling other statutory requirements/ stipulated conditions.

3.4 In addition, trade defence measures like anti-dumping duty and countervailing duty, safeguard measures are available to industries to seek remedies under the prescribed WTO provisions.

**Forms of Trade Remedial Measures**

3.5 The trade remedial measures available to the trade and industry of the WTO member countries permissible under the WTO Agreement comprise of Anti-dumping Measures, Anti-subsidy Measures, (also known as countervailing measures), Safeguard Measures (Tariff) and Safeguard Measures (Quantitative Restrictions).

**(i) Trade Remedial Measures under purview of DGAD**

(a) Anti dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect, thereby re-establishing fair trade. It provides relief to the domestic industry against the injury caused by dumping. 'Dumping' is said to occur when the goods are exported by a country to another country at a price lower than its normal value. The anti-dumping duty investigations are carried out by Directorate General of Anti-Dumping & Allied Duties (DGAD), Department of Commerce as per the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules 1995 framed under Customs Tariff Act, 1975. After detailed investigations, preliminary/final findings are issued by DGAD based on which, Department of Revenue imposes provisional/definitive anti-dumping duties.

(b) Countervailing Duties (CVDs), (also known as anti-subsidy duties), are import duties imposed to neutralize the negative effects of subsidies. They are imposed after an investigation finds that a foreign country subsidizes its exports, injuring domestic producers in the importing country. The countervailing duty investigations are carried out by Directorate General of Anti-Dumping & Allied Duties (DGAD), Department of Commerce as per Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidised Articles and for Determination of Injury) Rules, 1995 framed under Customs Tariff Act, 1975.

**(ii) Trade Remedial Measures implemented by DG Safeguards and DGFT**

(a) A safeguard is a form of temporary relief. They are used when imports of a particular product, as a result of tariff concessions or other WTO obligations undertaken by the importing country, increase unexpectedly to a point that they cause or threaten to cause serious injury to domestic producers of "like or directly competitive products". Safeguards give domestic producers a period of grace to become more competitive vis-à-vis imports.

3.6 Safeguard investigations are carried out by Directorate General of Safeguards,

Ministry of Finance under Customs Tariff Act, 1975.

(b) Quantitative restrictions means any specific limit on import of quantity of goods imposed as a safeguard measure. This measure is resorted only in exceptional circumstances. These are applied under the Foreign Trade (Development & Regulations) Act and administered by DGFT.

3.7 The Committee notes that Directorate General of Anti-Dumping & Allied Duties (DGAD) conducts Anti-Dumping and CVD investigations on the basis of a duly substantiated application filed by the domestic industry alleging dumping or subsidisation of goods into the country causing injury to the domestic industry. The proceedings are carried out in accordance with the relevant rules which are fully aligned and harmonious with WTO Agreement. These investigations are quasi-judicial in nature which are to be completed and final findings to be issued within 12 months from the date of initiation unless extended by another 6 months by the Government of India. To ensure timely completion of investigation, time lines for various stages of investigation have been laid down by the Designated Authority.

3.8 The Committee was informed that trade defence/remedial measures are not to ensure general economic protection to domestic industry *per se* but are imposed only to ensure a level playing field for the domestic industry to mitigate the injury caused to them due to unfair practices of dumping or subsidisation. These measures are levied initially for a period upto five years. Impact assessment of AD/CVD measures is not undertaken specifically as it is not a mandate under the AD/CVD Rules. However, before expiry of a measure, decision to initiate a Sunset review can be undertaken by the Authority upon a petition filed by Domestic Industry to examine whether the existing measure requires continuance as per the relevant AD/CVD Rules. Also, in event of any change in circumstances warranting a change in quantum of the imposed measure, Domestic Industry /Importers/ Exporters can seek a Mid-term review by filing an application for the same. Normally, it is filed after a period of one year of imposition of anti-dumping duty. There is also a provision for New Shipper Review. This provision can be invoked by an exporter who had not exported during the period of investigation of the original anti-dumping investigation and he desires to export to India without the burden of anti-dumping duty on his product. DGAD also have the powers to proceed with anti-circumvention investigation in cases where circumvention of anti-dumping duty is brought to its notice. If circumvention is proved, then that product attracts the same duty as is there for anti-dumping duty.

3.9 On enquiring about the status of trade remedial measures taken against China, the Committee has been informed that India has highest number of anti-dumping investigations initiated against China. As on 27.12.2017, DGAD has initiated 864 anti-dumping investigations over 375 products since January, 1994. China is involved in anti-dumping investigations for 214 products. In comparison, there are 86 anti-dumping cases initiated against EU, 64 cases against South Korea, 62 cases against Taiwan and 41 cases each against Japan and USA.

3.10 The Committee notes that as on 18.04.2018, definitive anti-dumping duty is in force on 144 products out of which 102 products pertain to China. Further, 24 more cases on imports from China have been initiated.

3.11 The product category wise detail of cases pertaining to China is as under:-

(as on 18.04.2018)

| S.No. | Product Category | No. of cases in which duty is in force | No. of cases initiated and under investigation |
|---|---|---|---|
| 1. | Chemical and Petrochemicals | 40 | 10 |
| 2. | Electrical and electronic items and accessories | 06 | 01 |
| 3. | Fibre Boards | 02 | 00 |
| 4. | Fibres and Yarn | 08 | 05 |
| 5. | Glass and Glassware | 08 | 00 |
| 6. | Machinery Items | 05 | 02 |
| 7. | Pharmaceutical | 02 | 00 |
| 8. | Rubber or Plastic products | 02 | 02 |
| 9. | Steel and other metals | 11 | 02 |
| 10. | Other Products | 18 | 02 |
| | **Total** | **102** | **24** |

Source: DGAD

3.12 The Committee also notes that currently, countervailing duty is in force on two products from China and one countervailing duty investigation against China is under progress. The DGAD also have carried two anti-circumvention investigations during last three years.

3.13 **The Committee thus notes that China faces the major chunk of anti-dumping investigations which is a clear indication that Chinese goods are causing unfair trade disruption. The Committee during its deliberation with industry noted that present state of anti-dumping investigations against the Chinese goods is not the actual reflection of the problem of unfair trade being faced by Indian Industry, especially, MSME Sector. The problem runs deep and all the industries affected by the dumping are not able to reach DGAD on account of high cost involved in moving the application. It was informed that the**

**application process for initiating anti-dumping and other trade defence measures is a costly affair and not easily affordable for the SMEs. It was also pointed out that the investigation being undertaken by DGAD are protracted and by the time the duty is notified, the injury caused to the domestic industry leaves it weak and bleeding forever. The Committee is of the view that the constraints in initiating the trade remedial investigations add to the helplessness of the industries affected by Chinese dumping. It is undesirable that stressed units have to undertake a costly process to move DGAD. It is completely avoidable. The Committee, however, notes that recently an assistance counter has been set up by DGAD for the help of MSME Sector. The Committee appreciates this initiative and it hopes that the said counter will prove to be an effective assistance. The Committee also recommends that the Government may provide financial assistance to recognized industry forums to improve the access of MSMEs/SSIs to trade remedial measures. The Committee further notes that despite the claims across the industry that China is heavily subsidizing its industry in contravention to WTO rules leading to cheap Chinese exports being imported into the country, countervailing duty is in force on only two products. It desires that DGAD play a proactive role to offset any disadvantage incurring on account of WTO non-compliant subsidies to Chinese industry. A platform for continuous dialogue with industry for this purpose may be created.**

3.14 **The Committee appreciates that there is a move towards shortening the time period of completing the investigations in 270 days from the present 365 days and reduce the period from 90 days to 30 days for Tax Research Unit in Department of Revenue to accept and issue the Notification. The Committee feels that this period may further be reduced to 180 days and 15 days respectively so that damages to domestic industry may be contained in right earnest.**

3.15 **The anti-dumping framework also suffers with lax implementation. The unscrupulous elements are able to import the Chinese goods by circumventing the goods put under anti-dumping framework through misclassification of products. This misdeclaration while importing the goods which otherwise have been put under anti-dumping measures nullify the whole effort to protect the domestic industry from unfair trade practices. Steel industry is one sector where imposition of anti-dumping duties and safeguard duties has been circumvented. There have been complaints of domestic steel industry that the Chinese non-alloy steel is being imported in the country by wrongly declaring it as alloy steel which, otherwise, is value-added and expensive steel, both in terms of usage and price. The Committee expresses its deep concern over such manipulation and it recommends the Government to take necessary action to check such malpractice. The Committee feels that the Government must take strong punitive measures so that the importers desist from such activities.**

3.16 **The Committee finds that while anti-dumping measures are being evaded on the one hand proving it to be ineffective; on the other hand, there is a general reluctance on the part of the Government to review the effectiveness of anti dumping measures undertaken by it. Rather there is no provision to carry out any impact assessment of the anti-dumping duty /Countervailing Duty imposed by DGAD. It has been brought to the notice of the Committee that though nearly 75-80% of Chinese steel products are covered under Anti-Dumping Duty, yet despite it, import of such steel products have increased by eight per cent. This clearly shows that anti-dumping measures have become completely ineffective. The predicament of the steel industry has been further increased by non-review of the anti-dumping duty, which otherwise have proved to be ineffective. Today, the raw material prices have gone up multiple times. The cost of domestic steel production, based on which the Anti-Dumping Duty reference price mechanisms have been formulated, are now completely different. However, nothing has been done to revise or rationalize the anti-dumping duty imposed for some time now. The Committee recommends that Ministry of Steel in consultation with DGAD look into this matter on an urgent basis and make the anti-dumping duties realistic and effective to ward-off any adverse consequences of dumping of Chinese steel goods in the country. It is high time that the duty must be rationalized.**

3.17 **The Committee expresses its deep concern over lax implementation of law since it makes the problem to persist and domestic industry suffers in the form of shutdown of the units and loss of employment. One estimate suggests that due to the dumping of Chinese solar panel there is a loss of nearly two lakh jobs as nearly half of our domestic industry capacity remains idle. This is something that the Committee finds shocking. It strongly recommends the Department to address the problem of poor implementation of DGAD findings on dumping and subsidy of Chinese goods.**

3.18 The Committee has been informed that changes have been effected in the Government of India (Allocation of Business) Rules on 7th May, 2018, wherein work regarding trade remedial measures has been exclusively allocated to the Department of Commerce. So, the entire work which was hitherto being carried out by DG (Safeguards) for safeguard measures and DGFT for quantitative restriction safeguards measure shall now come under one Directorate which will be called the Directorate General of Trade Remedies (DGTR) and the DGAD would be transformed into DGTR and some of the staff from the Safeguards Directorate would be transferred there. **The Committee welcomes this change in the Allocation of Business Rules. It hopes that creation of an integrated single umbrella National Authority, namely, Directorate General of Trade Remedies (DGTR) shall prove to be effective in providing comprehensive and swift trade defence mechanism in India. It shall also bring in substantial reduction of the time taken to provide relief to the domestic**

**industry and ensure effective monitoring of the compliance of trade defence measures taken by it.**

3.19 The Committee was further informed that the problem of flooding of Chinese goods goes beyond mere dumping. The unscrupulous imports from China is also on account of influx of under-invoiced Chinese goods, goods brought in through misdeclaration and outright smuggling. These illegalities have its share of adverse effect on Indian Industry. There is a real challenge to maintain a very fine balance between trade facilitation and enforcement.

3.20 The details of seizure of smuggled Chinese goods during the last three years and the current year (upto Dec, 2017) are as under:

| Year | No. of Cases | Value of seized smuggled goods from China (Rs. in Lakh) |
|---|---|---|
| 2014-15 | 867 | 1174744.90 |
| 2015-16 | 839 | 52006.54 |
| 2016-17 | 1300 | 102439.675 |
| 2017-18 (upto Dec, 2017) | 1127 | 54350.74 |

Source: CBIC

3.21 The value of seized smuggled goods from China as seen in the Table above is quite high. The value must be much higher as a lot of goods may have been successfully smuggled into the Indian market. The need for better enforcement cannot be emphasised more. The Committee was informed that in order to prevent and curb smuggling of Chinese goods, the Customs field formations are regularly alerted to be vigilant and have proper checks to thwart and detect cases of attempted smuggling.

The Directorate of Revenue Intelligence (DRI) has been issuing Alert/*Modus Operandi* Circulars from time to time for sensitizing the Customs officers to thwart any illegal imports / smuggling of goods. Based on the inputs received, information gathered and intelligence developed, the DRI, Customs preventive formations and other Customs enforcement wings (SIIB, CIU, AIU, etc.) of the Department regularly detect cases and seize illegally imported/smuggled goods. Depending on the nature of the case, stringent action, including arrest and prosecution, is taken against the offenders.

3.22 Further, the Risk Management Division, CBIC, analyses import data and offence cases and puts targets & interventions in the Risk Management System to intercept suspect consignments. The Risk Management System (RMS) is designed for optimal channelization of resources by focusing on high risk consignments on the basis of various risk parameters which also include the Country of origin of goods. All the goods on which ADD has been imposed are targeted by Risk Management System. During the year 2017-18, total Anti-Dumping Duty of Rs. 1268 crores was collected, out of this Anti-dumping Duty of Rs. 798 crores was collected from the goods imported from China, which is 63% of total ADD collection. **The Committee welcomes the enhanced efficacy of RMS. It hopes that the system will be optimally utilised for tracking the cases of imports under misclassification, evasion of Antidumping Duty and Safeguard Duty or taking of undue benefit under a particular exemption notification.**

3.23 **The Committee was further informed that scanning of containers and cargo at ports and points of entry helps in detection of cases of smuggling of goods. However, these infrastructure needs further strengthening. The Committee hopes that necessary steps will be taken to fill the gap. The Committee also noted that DRI has to work in a challenging environment with a small workforce. The Committee recommends that in view of the demands on DRI, its workforce must be suitably augmented.**

3.24 In as much as tackling the problem of large scale import of undervalued Chinese goods is concerned, the Committee was informed that there is an exclusive office of Director General of Valuation, which usually tracks undervaluation across the country. The values of various commodities imported at various ports are collected and a database is maintained to see if any particular importer is trying to resort to port hopping. However, in view of the fact that 99% of the Indian ports are now under Electronic Data Interchange (EDI), any attempt to declare low value goods at any port is picked up by the system and alert is issued. Further, Risk Management System (RMS) is also used by inserting a value band. If the value of the goods is not within the value band, then the system picks up that for the attention of the officers. The system throws up that particular consignment for re-assessment or, if required, for examination.

3.25 The Committee notes that during 2017-18, the RMS had helped to collect Rs.3714 crore of extra revenue on account of valuation alone and out of this collection, Rs.1551 crore pertained to Chinese goods which is about 42 per cent of the total recovery.

3.26 **The Committee appreciates the effort made by CBIC to check the problem of import of under-valued/under-invoiced Chinese goods. Under-invoicing of goods *per se* not only causes revenue loss to the Government but it also puts the domestic manufacturers at a disadvantage in terms of price of like items.**

3.27 **The Committee finds that India suffers with a large base of informal traders with poor record-keeping infrastructure. They mainly import consumer goods but owing to the absence of fixed business locations and frequent change in their address, they easily escape post-audit controls envisaged under the Agreement on Customs Valuation (ACU). However, introduction of GST and strengthening of RMS has addressed these problems to large extent but the problem has not been completely weeded out. The Committee also notes that the problem of under invoicing of Chinese goods is also rampant. While addressing these problems are paramount, the Committee believes that a formal arrangement may be worked out with China, whereby the Indian Customs administration could easily get price and other relevant information for imports suspected of under invoicing.**

3.28 **The Committee is also of the considered opinion that apart from recovery, strong penal action must be taken against defaulters so as to send out a clear message that violations of import rules cannot be taken lightly. The Committee finds that prosecution of defaulters and violators is quite long drawn. This leads**

**to complacency and gives the space to such violators to continue with their unscrupulous activities. The Committee recommends that necessary amendments may be introduced in the Customs Act to complete investigations and prosecution of violators within a short time so that they become an effective deterrent to such unscrupulous elements.**

3.29 **The Committee also desires that surveillance of Land Ports especially in the Indo-Nepal Border and North East border needs to be stepped up and all the ports of Entry should have an independent agency to ensure that import rules, duties and other government notifications are being enforced. CCTV cameras should be installed at locations in the border areas which are prone to smuggling of goods.**

**QUALITY AND STANDARDS**

4.1 The Committee is also mindful of the fact that a large number of low priced shoddy/spurious products are coming from China. In its interaction with various industry associations and other stakeholders of Indian Industry, the Committee encountered grave concerns being expressed on the quality of Chinese products coming into the country and the endangerment of such products pose for the Indian consumers. **The Committee is alarmed that Indian consumers get attracted to these products for their low price without regard to the safety hazards entailed with such products. The Committee notes that poor quality products are being sold in unorganized retail where it is the price that matters and not the quality. The Committee observes that the prices of our MSME products may be higher**

**than these cheep imported products, but the quality is generally better than the imports. There is an urgent need to devise a strategy in which the domestic MSME product, which is better in quality than the Chinese cheap products are given their due premium through the organized retail sector.**

4.2 **Also, it is important that public opinion is created in the country to discourage buying of sub-standard imported products. The Committee is of the view that industry forums have a greater responsibility to enlighten the people about the dangers of buying sub-standard products. It recommends the Department to engage industry forums for this purpose.**

4.3 **Having said so, the Committee is also convinced that a strong quality control framework and supporting infrastructure is the need of the hour to avert cheap and poor quality products from China which negatively impact Indian industry and consumers. There is an urgent need to identify and bring more products under technical regulations specifying compliance to relevant Indian standards as mandatory after analysing the import data in terms of categories of goods and their quality parameters.**

4.4 The Committee observes that Bureau of Indian Standards (BIS), as the national standards body of India establishes Indian standards, ensures conformity of products to these standards though its various conformity assessment schemes. The conformity assessment schemes are supported through BIS laboratories and BIS recognized laboratories which are also accredited by National Accreditation Board for Laboratories

(NABL). The Government and regulators can use standards as the base to notify technical regulations in the interest of consumer safety and health.

4.5 The Committee notes that BIS operate product certification scheme which is primarily voluntary in nature and currently, approx 960 products are covered under the scheme and more than 34000 licences are under operation. Out of these products, Central Government has brought 115 products under compulsory BIS certification through various Quality Control Orders. As per these Quality Control Orders, no person shall by himself or through any person on his behalf manufacture or store for sale, sell or distribute specified products which do not conform to the specified standards and do not bear Standard Mark of the Bureau of Indian Standards under a licence from BIS. The Quality Control Order is also applicable to the foreign manufacturer who intends to export their product to India.

4.6 The Committee further notes that BIS also grants licence to foreign manufacturer under Foreign Manufacturer Certification Scheme (FMCS). The procedure of grant of licence to foreign manufacturer is similar to that of domestic manufacturer. Assessment of the foreign manufacturer is carried out through a visit to their factory premises to examine their capability for the necessary parameters. Conformity of the product to the relevant Indian Standard is also verified through testing in the factory as well as complete testing in an independent laboratory situated in India. As on 17$^{th}$ April 2018, 803 licences have been granted to foreign manufacturers in 51 countries covering 90 products. Out of which, 294 licences for 55 products have been granted to Chinese manufacturers. 246 licences have been granted for 39 products under compulsory BIS certification and 48 licences have been granted for 16 products under voluntary BIS certification.

4.7 It was submitted that BIS also implements the Product certification Scheme through Registration based on Product Type Testing for IT & Electronic Goods. Ministry of Electronics and Information Technology (MeitY) has brought 43 products under compulsory BIS registration through Compulsory Registration Order (CRO). The CRO is also applicable to foreign manufacturer who intends to export their product to India. In case of foreign manufacturer, conformity of the product to the relevant Indian Standard is verified through test report of their sample from an independent recognized laboratory situated in India. The Committee notes that 9274 registrations are under operation out of which 5857 registrations have been granted to Chinese manufacturers. Market surveillance under the scheme is carried out by Ministry of Electronics and Information Technology (MeitY) through drawn BIS standard marked samples and getting the same tested in independent laboratory.

4.8 Thus, for the 115 products under Quality Control Orders and 43 products under Compulsory Registration Order, the quality of imported products including those from China is ensured to be in compliance to relevant Indian standards. The enforcement of various Quality Control Orders issued by the Central Government on imported goods including from China is required to be ensured at the ports by the Customs authority. For the products under mandatory certification and registration of BIS, the customs authorities need to check and enforce at the ports that such goods bear BIS standard mark.

4.9 The Committee observes that for 115 products which have been brought under Quality Control Orders, one can be sure that the quality will be similar and as a result the price difference becomes much less. Further, it is only in cases of products subject to mandatory quality standards that the BIS can *suo motu* take action on violation of quality standards. It discovered that since many Chinese goods like toys are not subject to mandatory quality standards, the Indian market is flooded with poor quality toys many of which contain harmful chemicals and materials. Similarly, it was informed that the Indian market is flooded with poor quality made in China LED bulbs. It was brought to the notice of the Committee that as per one study, 50-70% light bulbs and fixtures are spurious and sub- standard and these are predominantly Chinese products.

4.10 The Committee learnt that quality standards for toys have been evolved but Quality Control Order (QCO) from the Government is yet to be issued. The QCO is under preparation in the Department of Industrial Promotion and Policy. **The Committee is of the view that delays in firming up the Quality Control Orders helps the Chinese industry monopolise its low quality goods in the market. While the consumers buy shoddy Chinese products, the Indian industry, especially, MSME units are forced to close their shutters. The Committee is greatly concerned over such delays and it recommends the Department to implement the QCO at the earliest. It also finds that various Ministries of Central Government**

**are considering bringing certain products under mandatory BIS certification through issuance of Quality Control Orders (QCOs) and there are 87 Indian Standard Specification are under consideration of various Ministries (Annexure). The Committee recommends the Government to expedite their notification. Further, the Government should regularly deliberate with the industry to bring out such technical regulations/QCOs in a timely manner.**

4.11 **The Committee is of the considered opinion that in order to ensure effective compliance of quality standards; implementation and enforcement framework must be robust.** However, implementation of Quality Control Orders (QCOs) and technical regulations remains an area of huge concern. There are a lot of complaints that there are not enough officers and laboratories at ports from where Chinese poor quality products are being imported. The Committee notes that BIS has only eight laboratories. However, it uses the facilities of 46 Government laboratories in different institutions. Apart from that, BIS have recognised 200 private laboratories for testing of the products. Ports have also established now 8 laboratories which they use to check the quality standards. **The Committee is of the view that as we go towards more mandatory certification, our testing requirement will also increase. However, the infrastructure required to address the demands of quality checks is inadequate and this needs to be given a big thrust to ensure that only quality Chinese goods are allowed entry in the country. The Committee finds it disturbing that for QCO implemented five years ago, no surveillance mechanism agency has yet been put in**

**place. Surveillance is very important and critical. It is crucial to track the entire chain and ensure that benefit is coming to the industry. The Committee is convinced that BIS needs to be supported in terms of availability of technical manpower and infrastructure while enforcement agencies like Customs authorities, State Governments etc. also need to be sensitized and strengthened suitably to work in co-ordination with the Regulators.**

4.12 **The Committee appreciates that attempt to bring about systemic improvement for better monitoring and surveillance of quality standards has been made by the Government. The Committee notes that a Single Window Interface for Facilitating Trade (SWIFT) have been introduced. The Single Window provides a single platform for other relevant agencies like Wildlife, Drug Control, Animal Quarantine, Plant Quarantine, FSSAI and Textile Committee for necessary clearance or certification before the goods are released inland from the ports. It was informed that quality testing can be done and uploaded under the umbrella of SWIFT. The Committee desires that SWIFT may be optimally utilised for effective quality control of all the imports of products under QCO/technical regulations. It is also felt that representation of BIS on SWIFT will further add to its effectiveness.**

4.13 **The Committee further notes that WTO norms mandate national treatment to imports. Hence, any standard which is applied as mandatory standard for products being imported also needs to be imposed on domestic manufacturing of**

**the like product. This may prove to be a handicap in short run for many units but in the long run it will be beneficial to them. The Committee is of the considered opinion that the Government should give necessary support to domestic industry to become QCO compliant. Moreover, the domestic manufacturers must also put their act together to become quality oriented which will benefit the consumer. The quality production by domestic industry will help their products get greater acceptance in domestic and international market.**

4.14 **It was brought to the notice of the Committee that Chinese products are certified/ registered quite easily and faster by BIS in comparison to Chinese counterparts. The Committee learnt that our products suffer delays and high fee for getting certified/ registered with Chinese authorities before exporting into China. The Committee deprecates this situation. It finds it unfortunate that in the name of Ease of Doing Business, we are more than willing to give market access to Chinese goods which is destroying our manufacturing while China is smartly protecting its industry from Indian competition. The Committee strongly recommends that BIS must also reciprocate in the same manner as the Chinese. It desires that the certification/registration of Chinese products must be done only after intensive examination and trials. Further, the fee charged for the purpose must also be raised in line with what China imposes on our exporters.**

## OTHER MEASURES

5.1 **The Committee learnt that trade remedial measures like anti-dumping/ countervailing duties in certain cases of imports are not effective as Chinese suppliers are apparently re-routing the products from markets of other countries with which India has Free Trade Agreements. There is also a need to relook at the Least Developed Countries(LDC) arrangements under Duty Free Tariff Preference (DFTP) scheme. It is alleged that most Chinese manufacturers have setup operations in LDC countries to avail such benefits and glut the Indian economy with its products. It was brought to the notice of the Committee that many unscrupulous Indian importers are complicit in this kind of evasion. Such evasions of duties are also depriving the Government of India of huge revenue.**

5.2 **The Committee strongly deprecates the re-routing of Chinese imports through neighbouring countries and countries with which India has FTAs and flagrant flouting of Rules of Origin norms. Such circumvention of FTAs and flouting of Rules of Origin norms should be immediately addressed to avoid distress to Indian industry caused by the uninterrupted flow of Chinese goods through these channels. The Government should take concerted steps to ensure genuine value addition under the rules of origin clause with partner countries to block the passage of Chinese products with no substantial value addition through their countries.**

5.3 **The Committee recommends the Government to ensure better enforcement of rules by a joint verification/ certification mechanism with the partner countries. Timely and regular bilateral discussions should also be undertaken to take corrective steps ensuring the industry does not suffer from injury due to re-routing of Chinese imports through Preferential/FTAs.**

5.4 **There are also concerns about the Regional Comprehensive Economic Partnership (RCEP) Agreement where India is constructively engaged with China. The Committee wishes to underline the need for caution during the negotiations and it recommends the Government to calibrate its approach in such kind of Agreement. The Committee hopes that the Government will be very clear about the likely impact of the tariff concessions under negotiation on our domestic industry and whether they have the capability to sustain the kind of challenge that RCEP shall throw on them. This question has to be seen in the backdrop of our competence to face Chinese challenge in the present MFN regime. The Committee is convinced that nothing should be agreed to at the cost of our industrial health.**

5.5 **The Committee is also of the considered opinion that to ward off the heavy reliance on Chinese imports and to give boost to our domestic industry, there is an urgent need to bring necessary correction in the duty structure on inputs versus finished goods. The industry, especially, MSMEs have been suffering on account of inverted duty structure. The finished goods which have comparable domestic manufacturers must have the highest duty, medium rate of duty may be provided**

**for intermediaries and lowest for the parts and components used in manufacture of finished products.**

5.6 **The Committee is also of the view that tariff barrier is an important and worthy tool to counter dumping of Chinese goods in the country. The Committee notes that differential duty imposed on mobile phones and the implementation of phased manufacturing programme has resulted in reduction of imports of the handsets from China. The Committee is of the considered opinion that similar measures can also be considered for other industries which are getting impacted. The Committee desires that the Government may explore the possibility of increasing the applied duty to bound rates for the products suffering Chinese dumping. The Government tariff protection must also be accompanied with production subsidy or incentives which can be a match to Chinese assistance so that our domestic production gets a real boost. It will be in fitness of things if Make in India Programme is supported with renewed intensity and desired vigour.**

5.7 **The Committee also takes note of Public Procurement (Preference to Make in India), Order 2017 issued in June, 2017 as part of the policy of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India. The Committee strongly feels that the Order can be very instrumental in aiding the Indian Industry gain the ground that it has lost to Chinese industries. However, the Committee observes that the Order, even after a year of implementation, has not been able to provide the needed push to the Indian**

**Industry and the preference for Chinese products by government agencies, PSUs and State governments has not waned in the light of this Order. The Committee was informed that tenders and procurement process suffers with restrictive and discriminatory clauses being imposed against domestic manufacturers and suppliers in tender documents for public procurement. The Committee disapproves of such hurdles before the Indian Industry despite the implementation of the Public Procurement (Preference to Make in India), Order 2017. The Committee desires that the five-member committee chaired by the Secretary in the Department of Industrial Policy and Promotion set up to oversee the implementation of the policy should ease the restrictive and discriminatory clauses being faced by the Indian Industry in public tenders. The Committee further desires that the State Governments may also be sensitised about the essentiality of adoption of public procurement order by them.**

5.8 During examination of the subject, the Committee deliberated with the industry to get first hard information about them. Gist of the findings of the Committee on some industries impacted by Chinese imports are detailed below:

(i) **Pharmaceutical industry**

5.9 India is called the "pharmacy of the world", but a substantial part of the bulk drugs that are used to manufacture the Finished Dosage Formulation (FDF) that India is famous for, come from China. China is the main supplier of raw materials for Active Pharmaceutical Ingredients (APIs) and Key Standing Materials (KSMs). It is a matter of concern that India's pharma sector has critical dependence on Chinese bulk drugs import for its drugs manufacturing. It is noted that in some case, including in the life-saving drugs category, the dependence on Chinese imports is as much as 90%.

5.10 The Committee also notes that about 75% of the APIs used in the formulations of NLEM (National List of Essential Medicines) are sourced from China. Our API manufacturing capability based on fermentation technology is quite negligible. Owing to its dominance in APIs/KSMs & Intermediates, including those belonging to antibiotic class cephalosporin and vitamins, the Chinese bulk pharmaceuticals products have competitive edge in our domestic sector/market. Though India imports a huge quantity of bulk drugs China, China has not reciprocated accordingly to our efforts to export them our generic pharma products. The Committee notes that market access of our pharma products to China is still a matter of concern.

5.11 **During its interaction with pharmaceutical industry, a need for balancing of concerns for access and affordability with development and sustainability of industry was raised. The Committee is of the view that a long term view of the pharmaceutical industry must be taken to ensure availability and promote competition for price stability. The Committee was given to understand that the industry has many global challenges and requires nurturing to face innovation related risks and competition related risks. Also, an investment friendly climate must be provided to the industry.**

5.12 **The Committee very strongly feels that we urgently need to take necessary steps to revive our fermentation based API capability. The Committee finds it unimaginable that our mature pharmaceutical industry is allowed to remain dependant upon bulk drugs import from China. The Committee notes that China has been swinging the price of bulk drugs which has an impact on prices of our finished products. China has increased the prices 1200 per cent during last two years. This has greater ramification on our pharma exports also. It is high time that our dependency on Chinese bulk drug is reduced drastically. Such a strategic product cannot be left at the mercy of China as it impacts the nation's health security.**

5.13 **The Committee notes that API sector is a very high investment area. Such investments can be attracted if the Government can provide support in terms of common infrastructure and facilities. The Committee recommends that a steering Committee may be constituted to oversee the revival of the API industry. Concerted policy initiatives are needed towards correcting the damage done to the domestic API industry. Assured protection against dumping, incentivizing of R&D process, regular examination of price trends of imported APIs, price incentive for indigenous APIs are some of the immediate measure needed to give the push to the domestic API industry.**

5.14 **The Committee finds that today many API units in China have been closed while many are trying to set up units outside China due to strict environment**

**norms imposed by China. The country must seize this opportunity. Moreover, the environmental concerns attached with establishment of API industries can also be addressed if the API units bring in better technology where instead of chemical-reaction based API production, they are incentivised to adopt the next level technology where one single chemical process becomes seamless to manufacture API. We need to provide compatible infrastructure and some incentives for API units to use the latest environment-friendly technology. The Committee also desires that Government may explore the feasibility of reviving PSUs like IDPL and Hindustan Antibiotics.**

(ii) **Solar Industry**

5.15 One of the major driver of the clean energy drive espoused by the Government is the National Solar Mission. The primary objective of the National Solar Mission is to achieve energy security through developing indigenous solar manufacturing capacity. However, the Committee is saddened to note that the Solar Program is currently dominated by imports from China, accounting for nearly 90% of the market share directly or indirectly through their off-shore companies across South East Asia with far reaching consequences.

5.16 The Committee observes that 84% of solar equipment requirement in the country is met through imports from China. India imported solar cells and modules worth Rs.15,523 crores during 2015-16 out of which, solar cells and modules worth Rs.12,987 was imported only from China. In 2016-17 and 2017-18, the trend has been the same and Chinese solar cells and modules dominated the imports amounting to around Rs.17000 crores.

5.17 The Committee is perturbed at the China centricity of the Indian Solar Mission which has seen an outflow of forex widening the trade deficit with China. It is of the view that over-dependence on solar imports from China will lead the country to a precarious situation. Trade experiences have shown that there are pitfalls of dependence on a single country. Major exporters from China may decide to divert most of their supply for local use which was evidenced by increased demand pull in the third quarter of 2017 and reneging of Sales Contracts with Indian customers. The National Solar Mission will be subject to the bilateral relations with the China. Any dispute with China might lead to supply disruptions and adversely affect the Solar Program.

5.18 The Committee finds that surging imports of Chinese modules is causing serious threat to the domestic industry as they are not able to participate in the growth story of solar sector despite the increase in demand of solar equipments in the country. As the local manufacturers have been outdone by Chinese on price fronts, there is no incentive for domestic manufacturers to invest capital in expanding and vertical integration on manufacturing units. The Committee observes that at the end of 2017 installed capacity of solar modules stood at 8.8 GW and for solar cells at around 3.1 GW and that the capacity utilization of these manufacturing units is very low. It is a matter of concern that at a time when solar installations in India are picking up at rapid pace these manufacturing facilities are operating at suboptimal level which has also affected employment in the sector:

| **Particulars** | **Installed Capacity** | **Utilized Capacity** |
|---|---|---|
| Solar Modules | 8.8 GW | 3 GW |
| Solar Cells | 3.1 GW | 1.5 GW |

Source: Concept Note Draft Manufacturing Policy, MNRE 2017

5.19 **The Committee finds it disheartening that India has been one of the major exporters of solar products to countries like Germany, France and Italy between 2006-07 to 2011, before China started dumping their products at the cost of Indian manufacturers. Presently, the export from India have been decimated and brought to a standstill. The Committee was informed that on account of huge inventory, China has been able to dump its solar modules and cells here. Further, their dumping prices in India are lower than that of the price at which they sell in Japan, Europe or the US. The Committee finds this worrisome. It desires that the Government must take strong note of such dumping. The Committee feels that immediate trade remedial measures need to be deployed to protect the domestic solar industry.**

5.20 The Committee learnt that Director General of Safeguards has already recommended for imposition of 70% safeguard duty on Chinese solar equipments. However, the final decision is pending as the Board of Safeguards is yet to meet on the matter. There have been fears that imposition of such safeguard duty may impinge on our installation capacity which in turn will also result in solar power getting expensive. Such a situation will also affect the desired progress of solar energy programme as envisaged under National Solar Mission. The representatives of Indian Solar Manufacturing Association (ISMA) have submitted before the Committee that lowest price discovered for solar tariff was Rs. 2.44 in April 2017. In March, 2018, in response to a 500 megawatt tender for solar power installation, the price quoted was Rs. 2.98 for a unit. This price quotation takes into account the likely impact of rise in price of solar equipments in a scenario when the Chinese solar equipments face a 70 per cent safeguard duty. Thus the price difference is only 54 paise per unit of electricity per kilowatt hour, which has been claimed to be not significant enough to substantially increase the solar tariff. Further, this little increase shall also peter out in six months of operation.

5.21 **The Committee is of the view that Indian consumers should not be burdened with higher cost of energy. However, it also strongly feels that necessary support must be extended to our domestic solar industry to grow optimally. Moreover, support to our manufacturers shall also help them in pursuing innovation that will help in further reduction in price per unit. The Committee is of the considered opinion that all out help and necessary protection must be extended to our solar industry.**

5.22 **The Committee desires that the Board of Safeguards meet early to endorse the said recommendation of the DG, Safeguards. However, as regards imposition**

**of blanket ADD, the Committee feels that it can produce counterproductive results as India imports lot of products in the whole value chain of solar manufacturing. The Committee recommends that ADD may be levied in a differential manner to facilitate level pegging for domestic industry. The Committee also feels that the solar power industry must explore the avenues of protection under CVD since Chinese solar industry enjoys WTO non-complaint subsidies of the Chinese Government.**

5.23 The Committee notes that while Chinese solar manufacturers are being supported with tax and VAT exemptions, export financing and credit lines, capital, power and land subsidies, equity funding and R&D subsidies, anti-dumping duties, recruitment and training subsidies and performance based 'Top Runner' programme, the Indian solar manufacturers have no such significant support. There are no subsidies for them except schemes like SIPS and M-SIPS which have not yielded desired results in terms of attracting foreign investors to set up a manufacturing unit in India. The Committee is concerned to note that under SIPS scheme, no domestic manufacturer has got any capital subsidy till now.

5.24 **The Committee recommends that capital subsidy must be provided to the eligible manufacturers as it is a key requirement to reduce cost of plant and equipment to make Indian manufacturing globally competitive. The Committee also feels that the Government may explore giving a tax holiday for at least five years so that the industry can utilise this benefit to plough back a portion of its**

**profits in expansion and related activities and enable them grow to meet challenges from China.**

5.25 **The Committee feels that a policy framework is needed that incentivises investment in creating the end to end supply chain in the country. Establishing a Solar Manufacturing cluster policy for infrastructure development would enable development of an end to end supply chain.**

5.26 **The Committee also observes that solar imports from China are riddled with quality issues. The glass being used in Chinese solar panels contains chemical elements like antimony which is very toxic and there are no standards in place to check the entry of such products. The Committee recommends the Government to evolve standards to ensure such solar products containing toxic elements like antimony are not allowed in the country.**

(iii) **Textile Industry**

5.27 Indian textile industry is one of the most labour intensive industries. The Committee was informed that the industry is under threat due to unfettered flow of textile imports from China.

5.28 The Committee finds that country's textile industry is facing challenges mainly on account of Chinese imports of man made fabrics (polyster, viscose and blends). The Committee is concerned to note that cheap imports have resulted in 35 per cent closure of power looms in Surat and Bhiwandi. It was pointed out that the existing GST structure taxes synthetic fibres at 18 per cent, yarns at 12 per cent and fabrics at

5 per cent has also caused unintended benefit to China resulting in increased imports of fabric from there.

5.29 **The Committee notes that application of trade defence measures are difficult on apparel products as it is difficult to determine the 'Normal Value' of the garments because of the branding and design contents and thereby difficult to prove injury or threat of injury to domestic apparel industry at the current level of imports from China. The Committee, nonetheless, desires that the valuation mechanism may be revisited in order to overcome difficulties in determination of 'normal value' of the garments and protect domestic manufacturers from undue injury on account of any unfair trade practices adopted by Chinese garment manufacturers.**

5.30 The Committee finds that Chinese linen fabric being imported and converted to garments in Bangladesh, arrives at substantially lower rates in India. While ADD has been imposed on Chinese linen fabric but linen fabric originating from China and coming into India in the form of garments through Bangladesh nullifies the impact of ADD on linen fabric of China to a great extent. Similarly, Yarn & Fibres are imported from China into Bangladesh, Myanmar and Sir Lanka and are converted into fabrics in these countries and thereafter exported to India in large quantities especially from Bangladesh almost at Nil duty under bilateral agreements which has severely affecting the domestic weaving industry and spinning industry. **The Committee feels that there is a need to look at the LDC arrangements wherein imports from LDCs are fully**

**exempt. However, the unscrupulous elements are taking advantage of full exemption and are being benefitted from this scheme. It has become an easy route to escape from trade defence measures.**

5.31 **The Committee recommends that the Government must increase the customs duty on garment imports and all zero duty access that have been provided on imports of garments into India should be made subject to sourcing of raw materials from India. Directorate General of Foreign Trade (DGFT) should ensure that Advance License holders must show the linkage between the import of fabric and export of products.**

5.32 **The Committee understands that Chinese textile products are being preferred over Indian products because they are cheaper. Manufacturing costs are low in China due to production in bulk by large factories and specialized labour for operations. The pay and use concept of common facility centres prevalent in Chinese textile manufacturing also contribute to the low cost of textile products from China. The Committee feels in order to ensure domestic demand for Indian products, Make in India concept may be conjoined with the concept of 'Swadeshi apnao' where the consumption/ use of 'Made in India' products made by Indians should be given priority leading to increased in-house manufacturing and employment. There is also an urgent need to modernize the powerloom and handloom sector for mass production with quality. The value chain concept of 'Fibre to Fashion', where every product in the chain is made in India, should be**

**promoted. Large capacity infrastructure may be developed under cluster/ integrated textile parks scheme which can be used on 'pay and use' basis, attracting entrepreneurs for increased production. Reverse engineering and R&D in textile machinery would further reduce India's dependence on China.**

5.33 **The Committee observes that the textile processing sector needs upgradation and modernization to improve the quality of textile products and enhance India's competitiveness in textiles and garments to meet the international standards. Concerted steps should be taken to ensure that the domestic demand is met by promoting the one-stop shop model for the textile industry in the country.**

(iv) **Toy Industry**

5.34 The Committee notes that the impact of Chinese toy imports on the Indian Toy Industry has been negative. In its interaction with the stakeholders of the toy industry, the Committee was informed that the Chinese branded/ unbranded goods are imported into the country both legally and illegally. Sometimes other articles attracting greater duty rate are passed on under the garb of being toy. The low quality, low priced Chinese toys are either mass produced or these are rejects from other countries and they are diverted to Indian sub-continent/ Africa.

5.35 The Committee notes that Chinese products commanded around 85-90 per cent of the toy market space as of September, 2017. The Chinese products look good but the quality is bad, thus creating consumer distrust for toys with the consumers preferring branded and expensive toys at the cost of Indian manufactured toys. The Committee was informed that many manufacturers have over the years, become importers and traders. This has a negative impact on the employment.

5.36 The Committee observes that Chinese toys have made inroads to the Indian markets by misbranding of the toys. Chinese toys are being falsely branded as Handicraft of Channapatna Craft Park. Channapatna toys are handmade products and colored with vegetable dyes whereas Chinese toys are toxic and dangerous for children. It has been informed that there is now a drastic reduction in the number of artisans of Channapatna toys as they are not able to keep up with mass production and flow of imported Chinese toys. While there is loss of job due to misleading labeling of Chinese toys as Channapatna toys, it has also affected the real brand value of Channapatna toys.

5.37 **The Committee observes that the Government had banned import of Chinese toys on 23rd January, 2009 to address the concerns relating to safety of Chinese toys due to presence of toxicity and their likely adverse impact on children in India. Later, the matter was examined by the Government and it allowed the import of toys from all sources subject to Certificate of conformation to the standards prescribed in ASTM F963 or ISO 8124 (Parts I-III) or IS 9873 (Parts I-III) or EN 71 and Certificate of conformance from the manufacturer that the toys being imported have been tested by an independent lab which is accredited under International Laboratory Accreditation Cooperation (ILAC), Mutual Recognition Arrangement(MRA) and has been found to meet the specifications indicated. Any consignments of toys, which are not conforming to**

**prescribed standards and specifications, are not permitted to be imported. The Committee notes that in spite of the standards and specifications for import of toys from China, the Indian toy market has been assailed by low quality toxic Chinese toys.**

5.38 **The Committee learnt that the Quality Control Order (QCO) for toys has been prepared by Department of Industrial Promotion and Policy but the same has not been notified yet. The Committee recommends the Department to quicken the process of issuing the QCO for toys and ensure toxic and cheap quality Chinese toys do not enter the country.**

5.39 **The Committee also desires testing labs offer subsidized rates for checking the standards of imported toys for artisanal groups/SHGs involved in toy making craft. The Committee strongly feels that import of finished toy products from China must be banned as it has affected 50 per cent of the domestic toy industry and traditional skills are getting lost with artisans migrating to other vocations. Specific budget allocation should be provided for toy making skills training under Integrated Skill Development Scheme and Toy Clusters with Common Facility Centers may be created.**

(v) **Firecracker Industry**

5.40 The fireworks industry is concentrated in the Sivakasi district in Tamil Nadu. The industry has transformed the dryland around Sivakasi to an industrial hub.

At present, it consists of 850 factories, and provides employment to 8 lakh people directly and indirectly. The domestic firecrackers industry is valued at Rs.4000 crore.

5.41 The Committee observes the spurt of Chinese fireworks in the Indian market had led to adverse impact on the fireworks industry, which mostly falls in the MSME category. The import of Chinese fire crackers also entail public health concerns as most Chinese crackers have potassium chlorate, a highly explosive chemical which is banned in India. The Committee understands that the Government has restricted the import of "Fireworks" and for last three years no license /authorization has been issued by the DGFT. However, the representatives of firework industry have informed the Committee that despite the ban on firework imports, clandestine import of fireworks of foreign origin especially from China under false declarations are flooding the Indian markets and decimating the domestic firecracker industry. In fact, there have been many seizures of such illegal imports, still Chinese firecrackers containing banned substances are finding way in huge quantities to the Indian market.

5.42 **The Committee is disconcerted to note that despite the ban, cheap illegal firecrackers from China are glutting the Indian markets and the intended protection to the domestic firecracker industry has not materialised. The Committee recommends that the Customs authorities must prevent the smuggling of environmentally hazardous firecrackers into the country. The Committee feels that vigilance on the ports and borders needs to be enhanced and adequate infrastructure like container scanners and technology support to the**

**Customs authorities/DRI field units may be provided. Adequate container scanners should be installed at all the major and minor ports. The confiscated fireworks should be destroyed and never put to auctions. The Committee recommends that DGFT must prohibit the import of hazardous Chinese firecrackers rather than merely putting them in restricted list. People and fireworks traders should be continuously educated about the risk on handling the friction sensitive Chinese fireworks.**

5.43 The Committee has learnt of that apart from being riddled with smuggled Chinese fireworks, the manufacturing of fireworks in India is stunted due to delay in Sales licenses which are issued by District Magistrate for Diwali. The actual time-frame fixed by Petroleum and Explosives Safety Organisation (PESO) is 30 days before Diwali. The Committee was informed that even after a circular issued by DIPP to all District Magistrates (DMs) to expedite the issue of license, the sales licenses are issued only five days before Diwali. It was stated that licensing authorities of every district and every city follow different protocols for issuing license and they are not well versed with the safety regulation for fireworks.

5.44 The Committee has also been informed that Department of Industrial Policy and Promotion has come up with a new draft Explosives Rules. The draft rules provides for transfer of the power to issue all the permanent licences, which are controlled by PESO as well as the temporary licenses to the District Magistrates. The industry has claimed that such a move will be devastating to the industry and it will suffer delay in grant of such license.

5.45 **The Committee feels that Petroleum and Explosives Safety Organization (PESO) has desired expertise in explosive matters. Instead of transferring of license issuing power from one authority to another, DIPP may rather initiate a single window online processing system (like Passport sewa) under the Digital India scheme. PESO can effectively process the applications received including those for firecrackers sale within reasonable time. It shall also ensure smooth and safe movement of fireworks into the Indian market.**

5.46 **The Committee notes that Fireworks Industry is one of the most labour-intensive industries in India but has a higher tax slab of 18% under GST. It understands that the industry can avail Input Tax Credit only on the raw material purchase which contributes only around 35% of the total production cost. The remaining 67% includes wages, administrative expenses and profit margin on which the industry cannot avail any tax credits. The Committee desires that the Government may review the GST structure for the fireworks industry and lower it to a reasonable rate.**

(vi) **Bicycle Industry**

5.47 India is the world's second largest bicycle producer after China accounting for 10 per cent of global bicycle production. It also has a huge domestic market. The India bicycle industry comprises of nearly 4000 manufacturing units (micro to large) and it provides jobs to more than 1 million people across the country.

5.48 The Committee notes that total bicycle imports in India increased by 24% volume (14.5% in value). This increase in imports have been largely captured by China as bicycle imports from China saw a rise of 58 % in volume (47% in value) in 2017 (April-October) over 2016 (April-October). China enjoys a share of 63.3% in volume (44% in value) of the total bicycle import during the period April to October, 2017. The Committee has been informed that Chinese Bicycles are mostly undervalued or unfairly priced. This gives them competitive edge over Indian manufacturers.

5.49 The Committee notes that increased demand of bicycles in Indian market has been on account of convenience, rising health consciousness and public bike share (PBS) programs under the Smart Cities. These bicycles are imported from China at predatory prices and are threatening the very existence of the Indian Bicycle Industry. The Committee notes that the bicycle imports are not only affecting bicycle manufacturers but also gradually killing small bicycle parts manufacturers who provide employment to many skilled and unskilled workers.

5.50 The Committee learns that there is rampant under-invoicing of Chinese bicycles. It is estimated that under-invoiced bicycles constitute 85% of the total bicycle imports from China in 2017-18. Though the rate of duty has been kept high to protect the domestic bicycle industry from dumping from the China and other countries, the industry claims that under-valued bicycles of Chinese origin are being imported from non-existent and fake or shell conduit companies of Hong Kong etc. mainly at Ludhiana ICD and JNPT Port.

5.51 **The Committee is of the considered opinion that the high level of under-invoiced Chinese bicycles making their way into the country is the result of lax enforcement. The Committee finds that poor enforcement mechanism is the major cause of sufferings of Indian industry. Despite all tall claims by CBIC, the organisation seems to be suffering with systemic failure with respect to monitoring, surveillance and enforcement. These areas need urgent attention. The Committee recommends the Government to conduct regular search and seizure at the points of import of bicycles and as well as carry out detailed analysis of the customs data in order to unravel the modus operandi of the unscrupulous importers involved and curb the entry of under-valued Chinese bicycles into the country.**

5.52 **The Committee further observes that Smart City Administrations across the country are seeking to promote Public Bike Share (PBS) Programs that provide citizens rental bicycle on demand at affordable prices for last mile connectivity. However, this worthy initiative seems to have been hijacked by Chinese PBS operators as they are bringing in unfairly cheap Chinese bicycles. Instead of sourcing bicycles locally in India, these Chinese PBS Operators have chosen to bring in to India excessively discounted and unfairly priced bicycles manufactured from Chinese factories.** The Committee notes that these Public Bike Share Programs make use of public infrastructure (created and maintained by public funds) and are bound by the DIPP (GOI) guideline to give preference to “Made in India" products. However, it seems that the Smart City Administrations, especially in cities like Pune and Coimbatore, have chosen to ignore the ‘Make in India’ guideline and consented to the dumping of cheap bicycles by the Chinese PBS operators.

5.53 **The Committee is of the view that the Indian Bicycle Industry is capable of supplying the bicycle requirement of the Bike Share Programs under the Smart City Initiative. The Committee recommends the Government to ensure that Smart City Administrations give preference to bicycles manufactured in Indian under their PBS Scheme as per the Public Procurement (Preference to Make in India) Order, 2017. The PBS operators must be directed for procuring domestically manufactured bicycles.**

**CONCLUSION**

6.1 China is a very important trading partner for India. India has deep trade relations with China since the official resumption of trade with it in 1978. With China’s accession to World Trade Organization (WTO) in December, 2001, our bilateral trade received a further impetus. In 2000-01, China was India’s twelfth goods trading partner with a trade as low as USD 2.32 billion. Today, China is India’s largest goods trading partner and the bilateral trade reached USD 89.6 billion in 2017-18.

6.2 The bilateral trade with China has seen a steady increase in imports from China to India with a significant increase in the years from 2006-07 to 2014-15.

The increasing imports from China have taken its toll on our manufacturing sector. The Chinese goods have compelled many industrial units especially MSMEs to either operate at below its capacity or these have been forced to shut down. This has adversely affected local employment. The surge in imports from China has been on account of cheaper price it offers for a product. Though the quality of these products is often questionable but lack of awareness of Indian consumers have created a market for these products in India. There is an urgent need to educate and encourage the people about the importance of quality products and promote buying of Indian goods.

6.3 The Committee finds that many factors have gone into making China a competitive producer of goods and pose as an aggressive trading nation globally. While the companies in China enjoy the benefit of huge physical infrastructural and logistic advantage, easy access to low-interest finance, economy in scale of production, integration to global value chain, control and supply of raw materials, skilled workforce, etc. which make them competitive, the Chinese industry has also been benefitted by opaque government interventions to boost low cost production, manipulated currency (though there has been an appreciation in the value of Chinese currency in recent past) to make Chinese export competitive, handing out of WTO non-compliant export subsidies, provisioning of special incentives to boost exports, IP misappropriation, etc. The effect of this legitimate and illegitimate support has helped China create huge inventory of products and dump their products globally. The Committee finds that India has been an easy dumping ground for Chinese goods on account of low price of Chinese goods, poor enforcement and porous border both at sea and land.

6.4 The Committee is of the view that the Government is working quite hard to address the infrastructural bottlenecks and improve the logistics. Rather, India has seen a jump of 30 places in its Ease of Doing Business reforms. Further, there has been a historic inflow of FDI in the country in recent years. Similarly, GST have been rolled out which will add to the business efficiency and creation of uniform market across the country. The Committee appreciates these developments but it is, at the same time, also aware that certain loopholes still remain which hinders the creation of an optimal business environment. It is hopeful that the Government will take necessary measures to plug these loopholes. Some difficulties also remain in the implementation of GST which has adversely affected labour intensive industries like textiles, handicrafts, gems and jewellery, etc. Also, refund of IGST on exports need to be cured at the earliest. Further, low-interest loans still continue to elude the industry. This also needs to be fixed with all earnestness to enable the domestic industry turn more competitive.

6.5 There has been huge outrage globally to illegitimate Chinese trade practices and injury being caused to the local industry by dumping of Chinese goods and ever rising trade deficit. The concerns have been so deep that the United States has issued two Executive Orders to address the problem of rising trade deficit with China. One is on Omnibus Report on significant trade deficits and the other is Buy American and Hire American. The US has also imposed global tariffs of 25% on steel and 10% on aluminum products under its Section 232 investigations pertaining to national security implications of imports. These measures have been taken by the US with special focus on China. However, many nations including India have been affected by such orders. Under section 201 investigations, the US has imposed safeguard tariffs on large residential washing machines and solar cells from China. Further, it has also initiated Section 301 investigations into China's intellectual rights practices.

6.6 **While the United States and the European Union have been quite aggressive and agitated over the erosion of their domestic industry and loss of employment, the Committee feels that Government should be more proactive in taking trade defence measures as provided by WTO and imposition of other trade restrictions on import of such Chinese goods which have caused erosion of our manufacturing capacity.**

6.7 **The Committee wishes to underline that it is not against trade with China but recommends complete protection to Indian industry against any illegitimate, protectionist and unfair trade practices of any country. The Committee finds that amongst the available trade remedies, the Government has mainly resorted to imposition of Anti Dumping Duty (ADD) against Chinese products. The Committee, however, is of the view that even these ADDs are relatively few in comparison to the kind of Chinese dumping that have taken place in the country. The impact of Chinese imports has been such that India is threatened to become a country of importers and traders with domestic factories either cutting down their**

**production or shutting down completely. The Committee is very clear that it does not want such a state of affairs to prevail in the country. The country can ill afford its industry including MSMEs to get annihilated.**

6.8 **The Committee finds that monitoring, surveillance and enforcement of the trade remedies and other trade rules in the country requires more attention. The Committee finds that quality standards and technical regulations are quite potent tools to check sub-standard Chinese imports. However, the Quality Control Orders and Compulsory Registration Orders laying down technical standards of the products being imported need strengthening. The Government needs to work in this direction with more urgency and alarm. There is also the need to make better use of trade defence measures like countervailing duties, anti-circumvention and safeguards. The Committee finds that these measures are more effective in view of export subsidies to Chinese companies and dumping of Chinese goods. Engagement of industry bodies to make them aware of these significant trade remedies is essential. Further, public procurement order giving preference to domestically-manufactured goods must be put to good use and made an effective tool to counter imports.**

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## RECOMMENDATIONS/ OBSERVATIONS - AT A GLANCE

### TRADE REMEDIAL MEASURES AND ENFORCEMENT

1. **The Committee thus notes that China faces the major chunk of anti-dumping investigations which is a clear indication that Chinese goods are causing unfair trade disruption. The Committee during its deliberation with industry noted that present state of anti-dumping investigations against the Chinese goods is not the actual reflection of the problem of unfair trade being faced by Indian Industry, especially, MSME Sector. The problem runs deep and all the industries affected by the dumping are not able to reach DGAD on account of high cost involved in moving the application. It was informed that the application process for initiating anti-dumping and other trade defence measures is a costly affair and not easily affordable for the SMEs. It was also pointed out that the investigation being undertaken by DGAD are protracted and by the time the duty is notified, the injury caused to the domestic industry leaves it weak and bleeding forever. The Committee is of the view that the constraints in initiating the trade remedial investigations add to the helplessness of the industries affected by Chinese dumping. It is undesirable that stressed units have to undertake a costly process to move DGAD. It is completely avoidable. The Committee, however, notes that recently an assistance counter has been set up by DGAD for the help of MSME Sector. The Committee appreciates this initiative and it hopes that the said counter will prove to be an effective assistance. The Committee also recommends that the Government may provide financial assistance to recognized industry forums to improve the access of MSMEs/SSIs to trade remedial measures. The Committee further notes that despite the claims across the industry that China is heavily subsidizing its industry in contravention to WTO rules leading to cheap Chinese exports being imported into the country, countervailing duty is in force on only two products. It desires that DGAD play a proactive role to offset any disadvantage incurring on account of WTO non-compliant subsidies to Chinese industry. A platform for continuous dialogue with industry for this purpose may be created.** (Para 3.13)

2. **The Committee appreciates that there is a move towards shortening the time period of completing the investigations in 270 days from the present 365 days and reduce the period from 90 days to 30 days for Tax Research Unit in Department of Revenue to accept and issue the Notification. The Committee feels that this period may further be reduced to 180 days and 15 days**

**respectively so that damages to domestic industry may be contained in right earnest.** (Para 3.14)

3. **The anti-dumping framework also suffers with lax implementation. The unscrupulous elements are able to import the Chinese goods by circumventing the goods put under anti-dumping framework through misclassification of products. This misdeclaration while importing the goods which otherwise have been put under anti-dumping measures nullify the whole effort to protect the domestic industry from unfair trade practices. Steel industry is one sector where imposition of anti-dumping duties and safeguard duties has been circumvented. There have been complaints of domestic steel industry that the Chinese non-alloy steel is being imported in the country by wrongly declaring it as alloy steel which, otherwise, is value-added and expensive steel, both in terms of usage and price. The Committee expresses its deep concern over such manipulation and it recommends the Government to take necessary action to check such malpractice. The Committee feels that the Government must take strong punitive measures so that the importers desist from such activities.** (Para 3.15)

4. **The Committee finds that while anti-dumping measures are being evaded on the one hand proving it to be ineffective; on the other hand, there is a general reluctance on the part of the Government to review the effectiveness of anti dumping measures undertaken by it. Rather there is no provision to carry out any impact assessment of the anti-dumping duty /Countervailing Duty imposed by DGAD. It has been brought to the notice of the Committee that though nearly 75-80% of Chinese steel products are covered under Anti-Dumping Duty, yet despite it, import of such steel products have increased by eight per cent. This clearly shows that anti-dumping measures have become completely ineffective. The predicament of the steel industry has been further increased by non-review of the anti-dumping duty, which otherwise have proved to be ineffective. Today, the raw material prices have gone up multiple times. The cost of domestic steel production, based on which the Anti-Dumping Duty reference price mechanisms have been formulated, are now completely different. However, nothing has been done to revise or rationalize the anti-dumping duty imposed for some time now. The Committee recommends that Ministry of Steel in consultation with DGAD look into this matter on an urgent basis and make the anti-dumping duties realistic and effective to ward-off any adverse consequences of dumping of Chinese steel goods in the country. It is high time that the duty must be rationalized.** (Para 3.16)

5. **The Committee expresses its deep concern over lax implementation of law since it makes the problem to persist and domestic industry suffers in the form of shutdown of the units and loss of employment. One estimate suggests that due to the dumping of Chinese solar panel there is a loss of nearly two lakh jobs as nearly half of our domestic industry capacity remains idle. This is something that the Committee finds shocking. It strongly recommends the Department to address the problem of poor implementation of DGAD findings on dumping and subsidy of Chinese goods.** (Para 3.17)

6. **The Committee welcomes this change in the Allocation of Business Rules. It hopes that creation of an integrated single umbrella National Authority, namely, Directorate General of Trade Remedies (DGTR) shall prove to be effective in providing comprehensive and swift trade defence mechanism in India. It shall also bring in substantial reduction of the time taken to provide relief to the domestic industry and ensure effective monitoring of the compliance of trade defence measures taken by it.** (Para 3.18)

7. **The Committee welcomes the enhanced efficacy of RMS. It hopes that the system will be optimally utilised for tracking the cases of imports under misclassification, evasion of Antidumping Duty and Safeguard Duty or taking of undue benefit under a particular exemption notification.** (Para 3.22)

8. **The Committee was further informed that scanning of containers and cargo at ports and points of entry helps in detection of cases of smuggling of goods. However, these infrastructure needs further strengthening. The Committee hopes that necessary steps will be taken to fill the gap. The Committee also noted that DRI has to work in a challenging environment with a small workforce. The Committee recommends that in view of the demands on DRI, its workforce must be suitably augmented.** (Para 3.23)

9. **The Committee appreciates the effort made by CBIC to check the problem of import of under-valued/under-invoiced Chinese goods. Under-invoicing of goods *per se* not only causes revenue loss to the Government but it also puts the domestic manufacturers at a disadvantage in terms of price of like items.** (Para 3.26)

10. **The Committee finds that India suffers with a large base of informal traders with poor record-keeping infrastructure. They mainly import consumer goods but owing to the absence of fixed business locations and frequent**

**change in their address, they easily escape post-audit controls envisaged under the Agreement on Customs Valuation (ACU). However, introduction of GST and strengthening of RMS has addressed these problems to large extent but the problem has not been completely weeded out. The Committee also notes that the problem of under invoicing of Chinese goods is also rampant. While addressing these problems are paramount, the Committee believes that a formal arrangement may be worked out with China, whereby the Indian Customs administration could easily get price and other relevant information for imports suspected of under invoicing.** (Para 3.27)

11. **The Committee is also of the considered opinion that apart from recovery, strong penal action must be taken against defaulters so as to send out a clear message that violations of import rules cannot be taken lightly. The Committee finds that prosecution of defaulters and violators is quite long drawn. This leads to complacency and gives the space to such violators to continue with their unscrupulous activities. The Committee recommends that necessary amendments may be introduced in the Customs Act to complete investigations and prosecution of violators within a short time so that they become an effective deterrent to such unscrupulous elements.** (Para 3.28)

12. **The Committee also desires that surveillance of Land Ports especially in the Indo-Nepal Border and North East border needs to be stepped up and all the ports of Entry should have an independent agency to ensure that import rules, duties and other government notifications are being enforced. CCTV cameras should be installed at locations in the border areas which are prone to smuggling of goods.** (Para 3.29)

**QUALITY AND STANDARDS**

13. **The Committee is alarmed that Indian consumers get attracted to these products for their low price without regard to the safety hazards entailed with such products. The Committee notes that poor quality products are being sold in unorganized retail where it is the price that matters and not the quality. The Committee observes that the prices of our MSME products may be higher than these cheep imported products, but the quality is generally better than the imports. There is an urgent need to devise a strategy in which the domestic MSME product, which is better in quality than the Chinese cheap products are given their due premium through the organized retail sector.** (Para 4.1)

14. **Also, it is important that public opinion is created in the country to discourage buying of sub-standard imported products. The Committee is of the view that industry forums have a greater responsibility to enlighten the people about the dangers of buying sub-standard products. It recommends the Department to engage industry forums for this purpose.** (Para 4.2)

15. **Having said so, the Committee is also convinced that a strong quality control framework and supporting infrastructure is the need of the hour to avert cheap and poor quality products from China which negatively impact Indian industry and consumers. There is an urgent need to identify and bring more products under technical regulations specifying compliance to relevant Indian standards as mandatory after analysing the import data in terms of categories of goods and their quality parameters.** (Para 4.3)

16. **The Committee is of the view that delays in firming up the Quality Control Orders (QCO) helps the Chinese industry monopolise its low quality goods in the market. While the consumers buy shoddy Chinese products, the Indian industry, especially, MSME units are forced to close their shutters. The Committee is greatly concerned over such delays and it recommends the Department to implement the QCO at the earliest. It also finds that various Ministries of Central Government are considering bringing certain products under mandatory BIS certification through issuance of Quality Control Orders (QCOs) and there are 87 Indian Standard Specification are under consideration of various Ministries (Annexure). The Committee recommends the Government to expedite their notification. Further, the Government should regularly deliberate with the industry to bring out such technical regulations/QCOs in a timely manner.** (Para 4.10)

17. **The Committee is of the considered opinion that in order to ensure effective compliance of quality standards; implementation and enforcement framework must be robust.**

    **The Committee is of the view that as we go towards more mandatory certification, our testing requirement will also increase. However, the infrastructure required to address the demands of quality checks is inadequate and this needs to be given a big thrust to ensure that only quality Chinese goods are allowed entry in the country. The Committee finds it disturbing that for QCO implemented five years ago, no surveillance mechanism agency has yet been put in place. Surveillance is very important and critical. It is crucial to track the entire chain and ensure that benefit is coming to the industry. The Committee is convinced that BIS needs to be**

**supported in terms of availability of technical manpower and infrastructure while enforcement agencies like Customs authorities, State Governments etc. also need to be sensitized and strengthened suitably to work in co-ordination with the Regulators.** (Para 4.11)

18. **The Committee appreciates that attempt to bring about systemic improvement for better monitoring and surveillance of quality standards has been made by the Government. The Committee notes that a Single Window Interface for Facilitating Trade (SWIFT) have been introduced. The Single Window provides a single platform for other relevant agencies like Wildlife, Drug Control, Animal Quarantine, Plant Quarantine, FSSAI and Textile Committee for necessary clearance or certification before the goods are released inland from the ports. It was informed that quality testing can be done and uploaded under the umbrella of SWIFT. The Committee desires that SWIFT may be optimally utilised for effective quality control of all the imports of products under QCO/technical regulations. It is also felt that representation of BIS on SWIFT will further add to its effectiveness.** (Para 4.12)

19. **The Committee further notes that WTO norms mandate national treatment to imports. Hence, any standard which is applied as mandatory standard for products being imported also needs to be imposed on domestic manufacturing of the like product. This may prove to be a handicap in short run for many units but in the long run it will be beneficial to them. The Committee is of the considered opinion that the Government should give necessary support to domestic industry to become QCO compliant. Moreover, the domestic manufacturers must also put their act together to become quality oriented which will benefit the consumer. The quality production by domestic industry will help their products get greater acceptance in domestic and international market.** (Para 4.13)

20. **It was brought to the notice of the Committee that Chinese products are certified/ registered quite easily and faster by BIS in comparison to Chinese counterparts. The Committee learnt that our products suffer delays and high fee for getting certified/ registered with Chinese authorities before exporting into China. The Committee deprecates this situation. It finds it unfortunate that in the name of Ease of Doing Business, we are more than willing to give market access to Chinese goods which is destroying our manufacturing while China is smartly protecting its industry from Indian competition. The Committee strongly recommends that BIS must also reciprocate in the same manner as the Chinese. It desires that the**

**certification/registration of Chinese products must be done only after intensive examination and trials. Further, the fee charged for the purpose must also be raised in line with what China imposes on our exporters.** (Para 4.14)

**OTHER MEASURES**

21. **The Committee learnt that trade remedial measures like anti-dumping/ countervailing duties in certain cases of imports are not effective as Chinese suppliers are apparently re-routing the products from markets of other countries with which India has Free Trade Agreements. There is also a need to relook at the Least Developed Countries (LDC) arrangements under Duty Free Tariff Preference (DFTP) scheme. It is alleged that most Chinese manufacturers have setup operations in LDC countries to avail such benefits and glut the Indian economy with its products. It was brought to the notice of the Committee that many unscrupulous Indian importers are complicit in this kind of evasion. Such evasions of duties are also depriving the Government of India of huge revenue.** (Para 5.1)

22. **The Committee strongly deprecates the re-routing of Chinese imports through neighbouring countries and countries with which India has FTAs and flagrant flouting of Rules of Origin norms. Such circumvention of FTAs and flouting of Rules of Origin norms should be immediately addressed to avoid distress to Indian industry caused by the uninterrupted flow of Chinese goods through these channels. The Government should take concerted steps to ensure genuine value addition under the rules of origin clause with partner countries to block the passage of Chinese products with no substantial value addition through their countries.** (Para 5.2)

23. **The Committee recommends the Government to ensure better enforcement of rules by a joint verification/ certification mechanism with the partner countries. Timely and regular bilateral discussions should also be undertaken to take corrective steps ensuring the industry does not suffer from injury due to re-routing of Chinese imports through Preferential/FTAs.** (Para 5.3)

24. **There are also concerns about the Regional Comprehensive Economic Partnership (RCEP) Agreement where India is constructively engaged with China. The Committee wishes to underline the need for caution during the negotiations and it recommends the Government to calibrate its approach in such kind of Agreement. The Committee hopes that the Government will be**

**very clear about the likely impact of the tariff concessions under negotiation on our domestic industry and whether they have the capability to sustain the kind of challenge that RCEP shall throw on them. This question has to be seen in the backdrop of our competence to face Chinese challenge in the present MFN regime. The Committee is convinced that nothing should be agreed to at the cost of our industrial health.** (Para 5.4)

25. **The Committee is also of the considered opinion that to ward off the heavy reliance on Chinese imports and to give boost to our domestic industry, there is an urgent need to bring necessary correction in the duty structure on inputs versus finished goods. The industry, especially, MSMEs have been suffering on account of inverted duty structure. The finished goods which have comparable domestic manufacturers must have the highest duty, medium rate of duty may be provided for intermediaries and lowest for the parts and components used in manufacture of finished products.** (Para 5.5)

26. **The Committee is also of the view that tariff barrier is an important and worthy tool to counter dumping of Chinese goods in the country. The Committee notes that differential duty imposed on mobile phones and the implementation of phased manufacturing programme has resulted in reduction of imports of the handsets from China. The Committee is of the considered opinion that similar measures can also be considered for other industries which are getting impacted. The Committee desires that the Government may explore the possibility of increasing the applied duty to bound rates for the products suffering Chinese dumping. The Government tariff protection must also be accompanied with production subsidy or incentives which can be a match to Chinese assistance so that our domestic production gets a real boost. It will be in fitness of things if Make in India Programme is supported with renewed intensity and desired vigour.** (Para 5.6)

27. **The Committee also takes note of Public Procurement (Preference to Make in India), Order 2017 issued in June, 2017 as part of the policy of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India. The Committee strongly feels that the Order can be very instrumental in aiding the Indian Industry gain the ground that it has lost to Chinese industries. However, the Committee observes that the Order, even after a year of implementation, has not been able to provide the needed push to the Indian Industry and the preference for Chinese products by government agencies, PSUs and State governments has not waned in the light of this Order. The**

**Committee was informed that tenders and procurement process suffers with restrictive and discriminatory clauses being imposed against domestic manufacturers and suppliers in tender documents for public procurement. The Committee disapproves of such hurdles before the Indian Industry despite the implementation of the Public Procurement (Preference to Make in India), Order 2017. The Committee desires that the five-member committee chaired by the Secretary in the Department of Industrial Policy and Promotion set up to oversee the implementation of the policy should ease the restrictive and discriminatory clauses being faced by the Indian Industry in public tenders. The Committee further desires that the State Governments may also be sensitised about the essentiality of adoption of public procurement order by them.** (Para 5.7)

**Pharmaceutical Industry**

28. **During its interaction with pharmaceutical industry, a need for balancing of concerns for access and affordability with development and sustainability of industry was raised. The Committee is of the view that a long term view of the pharmaceutical industry must be taken to ensure availability and promote competition for price stability. The Committee was given to understand that the industry has many global challenges and requires nurturing to face innovation related risks and competition related risks. Also, an investment friendly climate must be provided to the industry.** (Para 5.11)

29. **The Committee very strongly feels that we urgently need to take necessary steps to revive our fermentation based API capability. The Committee finds it unimaginable that our mature pharmaceutical industry is allowed to remain dependant upon bulk drugs import from China. The Committee notes that China has been swinging the price of bulk drugs which has an impact on prices of our finished products. China has increased the prices 1200 per cent during last two years. This has greater ramification on our pharma exports also. It is high time that our dependency on Chinese bulk drug is reduced drastically. Such a strategic product cannot be left at the mercy of China as it impacts the nation's health security.** (Para 5.12)

30. **The Committee notes that API sector is a very high investment area. Such investments can be attracted if the Government can provide support in terms of common infrastructure and facilities. The Committee recommends that a steering Committee may be constituted to oversee the revival of the API industry. Concerted policy initiatives are needed towards correcting the**

**damage done to the domestic API industry. Assured protection against dumping, incentivizing of R&D process, regular examination of price trends of imported APIs, price incentive for indigenous APIs are some of the immediate measure needed to give the push to the domestic API industry.** (Para 5.13)

31. **The Committee finds that today many API units in China have been closed while many are trying to set up units outside China due to strict environment norms imposed by China. The country must seize this opportunity. Moreover, the environmental concerns attached with establishment of API industries can also be addressed if the API units bring in better technology where instead of chemical-reaction based API production, they are incentivised to adopt the next level technology where one single chemical process becomes seamless to manufacture API. We need to provide compatible infrastructure and some incentives for API units to use the latest environment-friendly technology. The Committee also desires that Government may explore the feasibility of reviving PSUs like IDPL and Hindustan Antibiotics.** (Para 5.14)

**Solar Industry**

32. **The Committee finds it disheartening that India has been one of the major exporters of solar products to countries like Germany, France and Italy between 2006-07 to 2011, before China started dumping their products at the cost of Indian manufacturers. Presently, the export from India have been decimated and brought to a standstill. The Committee was informed that on account of huge inventory, China has been able to dump its solar modules and cells here. Further, their dumping prices in India are lower than that of the price at which they sell in Japan, Europe or the US. The Committee finds this worrisome. It desires that the Government must take strong note of such dumping. The Committee feels that immediate trade remedial measures need to be deployed to protect the domestic solar industry.** (Para 5.19)

33. **The Committee is of the view that Indian consumers should not be burdened with higher cost of energy. However, it also strongly feels that necessary support must be extended to our domestic solar industry to grow optimally. Moreover, support to our manufacturers shall also help them in pursuing innovation that will help in further reduction in price per unit. The Committee is of the considered opinion that all out help and necessary protection must be extended to our solar industry.** (Para 5.21)

34. **The Committee desires that the Board of Safeguards meet early to endorse the said recommendation of the DG, Safeguards. However, as regards imposition of blanket ADD, the Committee feels that it can produce counterproductive results as India imports lot of products in the whole value chain of solar manufacturing. The Committee recommends that ADD may be levied in a differential manner to facilitate level pegging for domestic industry. The Committee also feels that the solar power industry must explore the avenues of protection under CVD since Chinese solar industry enjoys WTO non-complaint subsidies of the Chinese Government.** (Para 5.22)

35. **The Committee recommends that capital subsidy must be provided to the eligible manufacturers as it is a key requirement to reduce cost of plant and equipment to make Indian manufacturing globally competitive. The Committee also feels that the Government may explore giving a tax holiday for at least five years so that the industry can utilise this benefit to plough back a portion of its profits in expansion and related activities and enable them grow to meet challenges from China.** (Para 5.24)

36. **The Committee feels that a policy framework is needed that incentivises investment in creating the end to end supply chain in the country. Establishing a Solar Manufacturing cluster policy for infrastructure development would enable development of an end to end supply chain.** (Para 5.25)

**Textile Industry**

37. **The Committee also observes that solar imports from China are riddled with quality issues. The glass being used in Chinese solar panels contains chemical elements like antimony which is very toxic and there are no standards in place to check the entry of such products. The Committee recommends the Government to evolve standards to ensure such solar products containing toxic elements like antimony are not allowed in the country.** (Para 5.26)

38. **The Committee notes that application of trade defence measures are difficult on apparel products as it is difficult to determine the 'Normal Value' of the garments because of the branding and design contents and thereby difficult to prove injury or threat of injury to domestic apparel industry at the current level of imports from China. The Committee, nonetheless, desires**

**that the valuation mechanism may be revisited in order to overcome difficulties in determination of 'normal value' of the garments and protect domestic manufacturers from undue injury on account of any unfair trade practices adopted by Chinese garment manufacturers.** (Para 5.29)

39. **The Committee feels that there is a need to look at the LDC arrangements wherein imports from LDCs are fully exempt. However, the unscrupulous elements are taking advantage of full exemption and are being benefitted from this scheme. It has become an easy route to escape from trade defence measures.** (Para 5.30)

40. **The Committee recommends that the Government must increase the customs duty on garment imports and all zero duty access that have been provided on imports of garments into India should be made subject to sourcing of raw materials from India. Directorate General of Foreign Trade (DGFT) should ensure that Advance License holders must show the linkage between the import of fabric and export of products.** (Para 5.31)

41. **The Committee understands that Chinese textile products are being preferred over Indian products because they are cheaper. Manufacturing costs are low in China due to production in bulk by large factories and specialized labour for operations. The pay and use concept of common facility centres prevalent in Chinese textile manufacturing also contribute to the low cost of textile products from China. The Committee feels in order to ensure domestic demand for Indian products, Make in India concept may be conjoined with the concept of 'Swadeshi apnao' where the consumption/ use of 'Made in India' products made by Indians should be given priority leading to increased in-house manufacturing and employment. There is also an urgent need to modernize the powerloom and handloom sector for mass production with quality. The value chain concept of 'Fibre to Fashion', where every product in the chain is made in India, should be promoted. Large capacity infrastructure may be developed under cluster/ integrated textile parks scheme which can be used on 'pay and use' basis, attracting entrepreneurs for increased production. Reverse engineering and R&D in textile machinery would further reduce India's dependence on China.** (Para 5.32)

42. **The Committee observes that the textile processing sector needs upgradation and modernization to improve the quality of textile products and enhance India's competitiveness in textiles and garments to meet the international standards. Concerted steps should be taken to ensure that the domestic**

**demand is met by promoting the one-stop shop model for the textile industry in the country.** (Para 5.33)

**Toy Industry**

43. **The Committee observes that the Government had banned import of Chinese toys on 23rd January, 2009 to address the concerns relating to safety of Chinese toys due to presence of toxicity and their likely adverse impact on children in India. Later, the matter was examined by the Government and it allowed the import of toys from all sources subject to Certificate of conformation to the standards prescribed in ASTM F963 or ISO 8124 (Parts I-III) or IS 9873 (Parts I-III) or EN 71 and Certificate of conformance from the manufacturer that the toys being imported have been tested by an independent lab which is accredited under International Laboratory Accreditation Cooperation (ILAC), Mutual Recognition Arrangement(MRA) and has been found to meet the specifications indicated. Any consignments of toys, which are not conforming to prescribed standards and specifications, are not permitted to be imported. The Committee notes that in spite of the standards and specifications for import of toys from China, the Indian toy market has been assailed by low quality toxic Chinese toys.** (Para 5.37)

44. **The Committee learnt that the Quality Control Order (QCO) for toys has been prepared by Department of Industrial Promotion and Policy but the same has not been notified yet. The Committee recommends the Department to quicken the process of issuing the QCO for toys and ensure toxic and cheap quality Chinese toys do not enter the country.** (Para 5.38)

45. **The Committee also desires testing labs offer subsidized rates for checking the standards of imported toys for artisanal groups/SHGs involved in toy making craft. The Committee strongly feels that import of finished toy products from China must be banned as it has affected 50 per cent of the domestic toy industry and traditional skills are getting lost with artisans migrating to other vocations. Specific budget allocation should be provided for toy making skills training under Integrated Skill Development Scheme and Toy Clusters with Common Facility Centers may be created.** (Para 5.39)

**Firecracker Industry**

46. **The Committee is disconcerted to note that despite the ban, cheap illegal firecrackers from China are glutting the Indian markets and the intended**

**protection to the domestic firecracker industry has not materialised. The Committee recommends that the Customs authorities must prevent the smuggling of environmentally hazardous firecrackers into the country. The Committee feels that vigilance on the ports and borders needs to be enhanced and adequate infrastructure like container scanners and technology support to the Customs authorities/DRI field units may be provided. Adequate container scanners should be installed at all the major and minor ports. The confiscated fireworks should be destroyed and never put to auctions. The Committee recommends that DGFT must prohibit the import of hazardous Chinese firecrackers rather than merely putting them in restricted list. People and fireworks traders should be continuously educated about the risk on handling the friction sensitive Chinese fireworks.** (Para 5.42)

47. **The Committee feels that Petroleum and Explosives Safety Organization (PESO) has desired expertise in explosive matters. Instead of transferring of license issuing power from one authority to another, DIPP may rather initiate a single window online processing system (like Passport sewa) under the Digital India scheme. PESO can effectively process the applications received including those for firecrackers sale within reasonable time. It shall also ensure smooth and safe movement of fireworks into the Indian market.** (Para 5.45)

48. **The Committee notes that Fireworks Industry is one of the most labour-intensive industries in India but has a higher tax slab of 18% under GST. It understands that the industry can avail Input Tax Credit only on the raw material purchase which contributes only around 35% of the total production cost. The remaining 67% includes wages, administrative expenses and profit margin on which the industry cannot avail any tax credits. The Committee desires that the Government may review the GST structure for the fireworks industry and lower it to a reasonable rate.** (Para 5.46)

**Bicycle Industry**

49. **The Committee is of the considered opinion that the high level of under-invoiced Chinese bicycles making their way into the country is the result of lax enforcement. The Committee finds that poor enforcement mechanism is the major cause of sufferings of Indian industry. Despite all tall claims by CBIC, the organisation seems to be suffering with systemic failure with respect to monitoring, surveillance and enforcement. These**

**areas need urgent attention. The Committee recommends the Government to conduct regular search and seizure at the points of import of bicycles and as well as carry out detailed analysis of the customs data in order to unravel the modus operandi of the unscrupulous importers involved and curb the entry of under-valued Chinese bicycles into the country.** (Para 5.51)

50. **The Committee further observes that Smart City Administrations across the country are seeking to promote Public Bike Share (PBS) Programs that provide citizens rental bicycle on demand at affordable prices for last mile connectivity. However, this worthy initiative seems to have been hijacked by Chinese PBS operators as they are bringing in unfairly cheap Chinese bicycles. Instead of sourcing bicycles locally in India, these Chinese PBS Operators have chosen to bring in to India excessively discounted and unfairly priced bicycles manufactured from Chinese factories.** (Para 5.52)

51. **The Committee is of the view that the Indian Bicycle Industry is capable of supplying the bicycle requirement of the Bike Share Programs under the Smart City Initiative. The Committee recommends the Government to ensure that Smart City Administrations give preference to bicycles manufactured in Indian under their PBS Scheme as per the Public Procurement (Preference to Make in India) Order, 2017. The PBS operators must be directed for procuring domestically manufactured bicycles.** (Para 5.53)

## CONCLUSION

52. **While the United States and the European Union have been quite aggressive and agitated over the erosion of their domestic industry and loss of employment, the Committee feels that Government should be more proactive in taking trade defence measures as provided by WTO and imposition of other trade restrictions on import of such Chinese goods which have caused erosion of our manufacturing capacity.** (Para 6.6)

53. **The Committee wishes to underline that it is not against trade with China but recommends complete protection to Indian industry against any illegitimate, protectionist and unfair trade practices of any country. The Committee finds that amongst the available trade remedies, the Government has mainly resorted to imposition of Anti Dumping Duty (ADD) against Chinese products. The Committee, however, is of the view that even these ADDs are relatively few in comparison to the kind of Chinese dumping that have taken place in the country. The impact of Chinese imports has been**

**such that India is threatened to become a country of importers and traders with domestic factories either cutting down their production or shutting down completely. The Committee is very clear that it does not want such a state of affairs to prevail in the country. The country can ill afford its industry including MSMEs to get annihilated.** (Para 6.7)

54. **The Committee finds that monitoring, surveillance and enforcement of the trade remedies and other trade rules in the country requires more attention. The Committee finds that quality standards and technical regulations are quite potent tools to check sub-standard Chinese imports. However, the Quality Control Orders and Compulsory Registration Orders laying down technical standards of the products being imported need strengthening. The Government needs to work in this direction with more urgency and alarm. There is also the need to make better use of trade defence measures like countervailing duties, anti-circumvention and safeguards. The Committee finds that these measures are more effective in view of export subsidies to Chinese companies and dumping of Chinese goods. Engagement of industry bodies to make them aware of these significant trade remedies is essential. Further, public procurement order giving preference to domestically-manufactured goods must be put to good use and made an effective tool to counter imports.** (Para 6.8)

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# ANNEXURE

# Annexure I

**DIPP, Ministry of Commerce and Industry**

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 1. | IS 9873 (Part 1):2017 | Safety of Toys Part 1 Safety Aspects Related to Mechanical and Physical Properties (Third Revision) |
| 2 | IS 9873 (Part 2) :2017 | Safety Of Toys Part 2 Flammability (Third Revision) |
| 3 | IS 9873 (Part 3) :2017 | Safety of Toys Part 3 Migration of Certain Elements (Second Revision) |
| 4 | IS 9873 (Part 4) :2017 | Safety of Toys Part 4 Swings, Slides and Similar Activity Toys for Indoor and Outdoor Family Domestic Use |
| 5 | IS 9873 (Part 7) :2017 | Safety of Toys Part 7 Requirements and Test Methods for Finger Paints |
| 6 | IS 9873 (Part 9) :2017 | Safety of Toys Part 9 Certain Phthalates Esters in Toys and Children's Products |
| 7 | IS 15644:2006 | Safety Of Electric Toys |
| 8 | IS 16102 (Part 1):2012 | Self - Ballasted LED Lamps for General Lighting Services Part 1 Safety Requirements |
| 9 | IS 16102 (Part 2):2012 | Self - Ballasted LED Lamps for General Lighting Services Part 2 Performance Requirements |
| 10 | IS 9573 (Part 1):2017 | Rubber Hose for Liquefied Petroleum Gas (LPG) - Specification Part 1 Industrial Application |
| 11 | IS 9573 (Part 2):2017 | Rubber Hose for Liquefied Petroleum Gas (LPG) - Specification Part 2 Domestic and Commercial Application |
| 12 | IS 14900:2000 | Transparent Float Glass |
| 13 | IS 15884:2010 | Alternating Current Direct Connected Static Prepayment Meters for Active Energy (Class 1 and 2) |
| 14 | IS 14490:1997 | Plain Copier Paper |
| 15 | IS 1391(Part 1):2017 | Room Air Conditioners - Part 1 : Unitary Air Conditioners |
| 16 | IS 1391(Part 2):1992 | Room air conditioners: Part 2 Split air conditioners |
| 17 | IS 8148:2003 | Packaged Air Conditioners |
| 18 | IS 10617:2013 | Hermetic Compressors |
| 19 | IS 11338:1985 | Thermostats for Use in Refrigerators, Air Conditioners, Water Coolers and Beverage Coolers |
| 20 | IS 11329:1985 | Specification for Finned Type Heat Exchanger for Room Air Conditioner |
| 21 | IS 15392:2003 | Aluminium and Aluminium Alloy Bare Foil for Food Packaging |
| 22 | IS 12406:2003 | Medium Density Fibre Boards for General Purpose - Specification |
| 23 | IS 14587:1998 | Prelaminated Medium Density Fibre Board -specification |

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 24 | IS 13095:1991 | Butterfly valves for general purposes |
| 25 | IS 6456:1972 | Specification for Double Row Radial Ball Bearings |
| 26 | IS 2835:1987 | Specification for Flat Transparent Sheet Glass |
| 27 | IS 3087:2005 | Particle boards of wood and other lignocellulosic materials (medium density) for general purposes |
| 28 | IS 12823:2015 | Prelaminated Particle Boards from Wood and other Lignocellulosic Material |
| 29 | IS 302(Part 2/Section 14) | Safety of household and similar electrical appliances: Part 2 Particular requirements. Section 14 Electric kitchen machines |
| 30 | IS 4250:1980 | Domestic Electric Food-Mixers (Liquidizes and Grinders) |
| 31 | IS 15558:2005 | Mini domestic water heater for use with LPG |
| 32 | IS 2347:2006 | Domestic Pressure Cookers |
| 33 | IS 4246: 2002 | Domestic Gas Stoves for use with Liquefied Petroleum Gases |
| 34 | IS 1554 (Part 1) : 1988 | Specification for PVC Insulated (Heavy Duty) Electric Cables Part 1 For Working Voltages Upto and Including 1100 V |
| 35 | IS 1554 (Part 2) : 1988 | Specification for PVC Insulated (Heavy Duty) Electric Cables Part 2 For Working Voltages from 3.3 kV Up To and Including 11 kV |
| 36 | IS 7098 (Part 1) : 1988 | Specification for Crosslinked Polyethylene Insulated PVC Sheathed Cables<br>Part 1 for working voltages upto and including 1100 V |
| 37 | IS 7098 (Part 2) : 2011 | Crosslinked polyethylene insulated Thermoplastics sheathed cables - Specification<br>Part 2 for working voltages from 3.3 kV up to and including 33 kV |
| 38 | IS 7098 (Part 3) : 1993 | Cross-Linked Polyethylene Insulated Thermoplastics Sheathed Cables<br>Part 3 For Working Voltages from 66 kV Up to and Including 220 kV |
| 39 | IS 14255 : 1995 | Aerial Bunched Cables - For Working Voltages Upto and Including 1100 Volts - Specification |
| 40 | IS 9968 (Part 2) : 2002 | Specification for Elastomer Insulated Cables<br>Part 2 For Working Voltages form 3.3 kV Upto and Including 33 kV |
| 41 | IS 8784 : 1987 | Specification for Thermocouple Compensating Cables |
| 42 | IS 9857 : 1990 | Welding Cables - Specification |
| 43 | IS 14494 : 1998 | Elastomer Insulated Flexible Cables for Use in Mines - Specification |
| 44 | IS 2593 : 1984 | Specification for Flexible Cables for Miner’s Cap-Lamps |
| 45 | IS 5950 : 1984 | Specification for Shot Firing Cables (for use other than in shafts) |
| 46 | IS 1293 : 2005 | Plugs and Socket-Outlets of Rated Voltage Up To and Including 250 Volts and Rated Current Up To and Including 16 Amperes — Specification |
| 47 | IS 15884 : 2010 | Alternating Current Direct Connected Static Prepayment Meters for Active Energy (Class 1 And 2) — Specification |

**Ministry of chemical and Fertilizers**

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 1. | IS 10116:2015 | Boric Acid - Specification (First Revision) |
| 2 | IS 14252:2015 | Textiles - High Density Polyethylene (HDPE)/Polyethylene (PP) Woven Sack for Filling Sand - Specification (Second Revision) |
| 3 | IS 14887:2014 | Textiles - High Density Polyethylene (HDPE) / Polypropylene (PP) Woven Sacks for Packaging of 50 kg Food Grains - Specification |
| 4 | IS 14968:2015 | Textiles - High Density Polyethylene (HDPE)/Polypropylene (PP) Woven Sacks for Packing 50 Kg/25 Kg Sugar - Specification (First Revision) |
| 5 | IS 16208:2015 | TEXTILES - HIGH DENSITY POLYETHYLENE (HDPE)/ POLYPROPYLENE (PP) WOVEN SACKS FOR PACKAGING 10 kg, 15 kg, 20 kg, 25 kg AND 30 kg FOODGRAINS - SPECIFICATION |

**Ministry of Steel**

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 1 | IS 1993:2006 | Cold-reduced Electrolytic Tinplate |
| 2 | IS 280: 2006 | Mild Steel Wire for General Engineering Purposes |
| 3 | IS 398(Part 2): 1996/IEC 60889 | Aluminium conductors for overhead transmission purposes: Part 2 Aluminium conductors, galvanized steel reinforced |
| 4 | IS 1835: 1976 | Round Steel Wire for Ropes |
| 5 | IS 6603: 2001 | Stainless Steel Bars and Flats |
| 6 | IS 3975: 1999 | Mild steel wires, formed wires and tapes for armouring of cables |
| 7 | IS 4368:1967 | Alloy steel billets, blooms and slabs for forging for general engineering purposes |
| 8 | IS 4454(Part 1): 2001 | Steel Wires for Mechanical Springs - Part I : Patented and Cold Drawn Steel Wires - Unalloyed |
| 9 | IS 4454(Part 2): 2001 | Steel Wires for Mechanical Springs – Part II : Oil Hardened and Tempered Spring Steel Wire and Valve Spring Wire – Unalloyed |
| 10 | IS 4824: 2006 | Bead Wire For Tyres |
| 11 | IS 6527: 1995 | Stainless Steel Wire Rod |
| 12 | IS 6528: 1995 | Stainless Steel Wire |
| 13 | IS 11169(Part 1) : 1984 | Steels for cold heading/cold extrusion application Part 1 Wrought carbon and low alloy steels |
| 14 | IS 11587: 1986 | Structural weather resistant steels |
| 15 | IS 12591: 2006/ISO 11950: 1995 | Cold Reduced Electrolytic chromium/chromium oxide - Coated steel |
| 16 | IS 15103: 2002 | Fire Resistant Steel |
| 17 | IS 15914; 2014 | High Tensile Strength Flat Rolled Steel Plate (Up To 6 mm), Sheet and Strip for the Manufacture of Welded Gas Cylinder |
| 18 | IS 15961: 2012 | Hot Dip Aluminium-Zinc Alloy Metallic Coated Steel Strip and Sheet (Plain) |
| 19 | IS 15962: 2012 | Structural Steels for Building and Structures with Improved Seismic Resistance |

**Ministry of Textiles**

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 1. | IS 15741:2007 | Textiles - Resistance to ignition of curtains and drapes |
| 2 | IS 15742:2007 | Textiles - Requirements for clothing made of limited flame spread materials and material assemblies affording protection against heat and flame |
| 3 | IS 15748:2007 | Textiles - Protective clothing for industrial workers exposed to heat (excluding fire fighters' and welders' clothing) |
| 4 | IS 15768:2008 | Textiles - Resistance to ignition of upholstered composites used for non-domestic furniture |

**Ministry of Heavy Industries**

| S. No. | Indian Standard | Title of Standard |
|---|---|---|
| 1 | IS 4573:1982 | Specification for Power Driven Mobile Cranes |
| 2 | IS 3177:1999 | Code of Practice for Electric Overhead Travelling Cranes and Gantry Cranes other than Steel Work Cranes |
| 3 | IS 13936:1994 | Bulk handling equipment - Wheeled loaders - General requirements |
| 4 | IS16589(Part 4):2017 | Wind Turbines Part 4 Design Requirements for Wind Turbine Gearboxe |
| 5 | IS/IEC/TS 61400 (Part 13):2001 | Wind Turbines Generator System Part 13 : Measurement of Mechanical Loads |
| 6 | IS/IEC 61400 (Part 21):2008 | Wind Turbines Part 21 Measurement and Assessment of Power Quality Characteristics of Grid Connected Wind Turbines |
| 7 | IS/IEC 60947 (Part 1):2007 | Low-voltage switchgear and controlgear :Part 1 General rules |
| 8 | IS/IEC 60947 (Part 2):2003 | Low-Voltage Switchgear and Controlgear - Part 2 : Circuit Breakers |
| 9 | IS/IEC 60947 (Part 4/Sec 1):2000 | Low-Voltage Switchgear and Controlgear - Part 4 : Contractors and Motor-Starters - Section 1 : Electromechanical Contactors and Motors-Starters |
| 10 | IS/IEC 60947 (Part 4/Sec 3):2011 | Low-Voltage Switchgear and Controlgear Part 4 Contactors and Motor-Starters Section 3 a.c. Semiconductor motor controllers and contactors for non-motor loads (First Revision ) |
| 11 | IS/IEC 60947 (Part 5/Sec 1):2003 | Low-Voltage Switchgear and Controlgear - Part 5 : Control Circuit Devices and Switching Elements - Section 1 : Electromechanical Control Circuit Devices |
| 12 | IS/IEC 60947 (Part 5/Sec 2):2007 | Low-Voltage Switchgear and Control Gear Part 5 : Control Circuit Devices and Switching Elements Section 2 Proximity Switches |

**Annexure-II**

## LIST OF STAKEHOLDERS/ INDIVIDUALS WHO SUBMITTED THEIR MEMORANDA ON 'IMPACT OF CHINESE GOODS ON INDIAN INDUSTRY'

| Sl. No. | Name of Individual/ Stakeholder | Name of Organisation | Address |
|---|---|---|---|
| 1. | Shri Chetan Hemani | - | Mumbai<br>Email: c.hemani@jicon.com |
| 2. | Shri Tushar | - | Email: tusharyadav012@gmail.com |
| 3. | Shri Rakesh Ramchandani | - | Email: rakesh70ramchandani@gmail.com |
| 4. | Shri Bhavik Trevadia | Yoke Corporation | 207, Elar Building, S.B. Marg,<br>Near Bhoomi Plaza, Dadar (W), Mumbai<br>Phone: +91-22-24222731, 24300551<br>Fax: +91-22-24309712<br>Email: yokecorporation@rediffmail.com |
| 5. | Ms. Charu Awalkar | - | Email: charuawalkar@gmail.com |
| 6. | Ms. Savitha B.M.<br>Managing Partner | Street Smart Media Solutions | 1258, B Wing, 14th Floor, Mittal Towers<br>MG Road, Bengaluru-560001<br>Phone: +91 8040931111, 25580404 |
| 7. | Shri R.C. Mitra | | 53, P.C. Road, Kolkata-700111<br>Mobile: 9007572392<br>Email: mitra502@gmail.com |
| 8. | Shri T.K. Kini<br>Managing Partner | ELRKE IND ENTP | Tool Room Div., Bengaluru-91<br>Mob: 9845220236<br>Email: tkkini@elrke.com |
| 9. | Shri Ashok Gadkari | - | Mob: 9004762185<br>Email: akgcme@gmail.com |
| 10. | Shri V.K. Mishra<br>Executive Vice Chairman | India China Trade Centre (ICTC) | B-143, 3rd Floor, DDA Shed,<br>Okhla Industrial Estate, Phase-I,<br>New Delhi-110020<br>Mob: 9811113677<br>Email: indiachinatradecentre@gmail.com<br>indiachinadelhi@gmail.com |
| 11. | Shri Badish Jindal<br>President | Federation of Punjab Small Industries Association (FOPSIA) | Punjab Trade Center Complex, Miller Ganj, Ludhiana,<br>Phone: 0161-2532302<br>Mobile: 9876279999<br>Email: badishjindal@gmail.com |
| 12. | Shri Arun H. Ramchandani | - | 253, Durgesh Vihar, J.K. Road,<br>Bhopal, Mobile: 9425015981 |
| 13. | Shri Vishwanath Singhaniya | - | 10/829, Malviya Nagar,<br>Jaipur-302017 |

| | | | |
|---|---|---|---|
| 14. | Dr. K.B. Thakur<br>Secretary General | All India Cycle Manufacturers' Association | PHD House, 3rd Floor, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi-110016<br>Phone: 011-41040833<br>Email: sgaicma@gmail.com |
| 15. | Shri Minesh Patel | - | Email: minesh.patel@apexextrusion.com |
| 16. | Shri H.R. Gupta<br>General Secretary | Indian Solar Manufacturers Association | 231-232, Westend Marg, Kohinoor Enclave, Saidulajab, Near Garden of Five Senses, New Delhi-110030<br>Phone: 011-39215700<br>Email: indian.solar.mfrr.asso@gmail.com |
| 17. | S. Hemavathy Chandran | - | No. 52, b, Casa Granda Futhra,<br>Sri Permathu High School Stop,<br>Sri Permathu-602105, Tamil Nadu<br>Mobile: 9444565979, 9500597064 |
| 18. | Shri S. K. Gupta<br>Vice Chairman | Society for Quality Education & Health Protection | 411A, 4th Floor, Pratap Bhawan, 5 Bhahdur Shah Zafar Marg, New Delhi-110002 |
| 19. | Shri Rajeev Jain<br>General Secretary | United Cycle & Parts Manufacturers Association | Near Campa Cola Chowk, Gill Road, Ludhiana-141003.<br>Phone: +91-161-2533829, 2536829, 5058829<br>Fax: +91-161-4618431<br>Email: ucpma@ymail.com<br>Mobile: 9814020215 |
| 20. | Shri Sidharth Deb<br>Legal Associate | Koan Advisory Group | Mobile: +91-9748348940<br>Email: koanadvisory.com |
| 21. | Shri P. Jayaseela Rao<br>Meterologist | - | M.Sc(Tech), M.L. Meterologist A, Meterological Office, Meenambakkam Airport, Chennai-600027 |
| 22. | Shri Vikas Sehgal<br>Chairman | Global Future Council | 103, Piramal Towers, Peninsula Corp. Park, G.K. Marg, Lower Parel, Mumbai 400013<br>Phone: +91-22-40817078<br>Mobile: 9873608283 |
| 23. | Shri Nabarun Kar | Birla Cellulose-Grasim Industries Limited (Pulp & Fibre Business) | 1101&1102 Ocean, Opposite Vadodara Central Mall, Vikram Sarabhai Marg, Vadiwadi,<br>Vadodara, Gujarat-390023<br>Phone: +91-2656171270<br>Mobile: 9723550643<br>Email: nabarun.kar@adityabirla.com |
| 24. | Shri M. Banerjee<br>Lecturer | - | 85, Prince Anwar Shah Road, City High Flat-24, Tower-2, Clacutta-700033 |