



BOMBAY CHAMBER OF COMMERCE AND INDUSTRY

PARLIAMENTARY STANDING COMMITTEE
ON
'IMPACT OF CHEAP CHINESE CONSUMER GOODS ON INDIAN INDUSTRY'
(Illustrative examples)

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Impact of Cheap Chinese Consumer Goods on Indian Industry

No	Industry	Problems	Examples
1	Steel	<p>The government has imposed an anti dumping duty on steel. This has cushioned the few steel manufacturers of India from cheap Chinese steel aggression into India.</p> <p>These big companies keep increasing their prices to cover their inefficient work ethos.</p> <p>The SME have to buy expensive raw materials thus remaining uncompetitive when faced with cheap Chinese steel products.</p> <p>The result is these big steel companies are suffering huge losses as SME are not buying steel from them.</p> <p>After the implementation of GST, Chinese imports have become cheaper.</p> <p>As any trader can take a GST number, import from China at 10 % and sell in India. This means we SME are elbowed out of the market as the price difference is only 10 %.</p> <p>Prior to GST, the importer had to be under excise to take setoff , which most of the traders were not willing to be under (excise). Thus rendering imports expensive.</p>	<p>We manufacture false ceiling products in our factory in Mumbai. Its called False ceiling grid. The raw material is PPGI(pre-painted galvanised iron),made by Uttam Steel or Essar Steel.</p> <p>The price of the raw material is higher than the imported finished product.</p> <p>Hence we have stopped production of this product and import it from China . Thus scaling down from being a manufacturer and job provider in India, to a mere trader providing job to some Chinese national.</p>

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2.	Automotive	<p>To increase domestic manufacturing and reduce import ,</p> <p>i) GST should be reduced to 18% from 28% (Mixture, Grinder, Blender and Toaster or Iron is not the Luxury but small appliances) and</p> <p>ii) Custom duty should be increased to 20% to 25% (At present, customs duty of 10% and 30% is levied on completely knocked down (CKDs) units and semi-knocked down (SKDs) units respectively).</p> <p>iii) If required Customs Act should be amended to discard Transaction Price. The concept of Transaction Price is misused by mis declaring the price of imported goods. Based on costing data of domestic manufacturers, the Minimum Import Price(MIP) should be determined on which custom duty will be levied to reduce under valuation and reduce valuation litigation, and to give equal competition to domestic manufacturer.</p> <p>iv) CKD and SKD goods should be treated equally with finished goods so that real manufacturing can take place and not screw driver technology (to avoid antidumping, import of calculators is taking as parts, which only require screw driver to complete the process) or mere assembly of three or four parts of manufacturing products.</p>	<p>Automobile industry, where special valuation cell are working to check the import value and fixed at par on international label, we do believe ,import of Consumer Goods should be limited to certain specified ports.</p>

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3.	The Gadgets & Mobile	<p>China do enjoy competitive advantage due to Chinese government's economic policies in setting up factories, providing cheap labor, land, power and basic resources and infra that the Chinese factories enjoy.</p> <p>Some companies, that produce some valuable components in the USA / France / Germany and then asks the Chinese manufacturers to assemble and use their local components to complete the finished goods.</p> <p>India could do the same to grow on quality parameters rather than quantities and scales.</p>	<p>Examples are APPLE, NOKIA (Cell Phones) and DLP TEXAS (projectors), Bajaj Industries (home appliances) that are doing exactly what we have mentioned here. The design and some components come from outside CHINA and rest is left to the manufacturer to complete.</p>

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4	Copper	Copper Flat products to be kept out of RCEP (Regional Comprehensive Economic Partnership) with China as the Industry is reeling from Inverse Duty structure from FTA with ASEAN.	<p>As on date, import of Copper Cathodes (HS Code: 7403 1100) Copper Rods(HS Codes: 7403 1200) attract 5% Basic Customs duty whereas the Finished Goods manufactured from these products Copper Sheets Strips (HS Code: 74091100; 74091900) Brass Sheets / Strips (HS Code: 74092100; 74092900) attract NIL rate of Basic Customs Duty under the FTA with ASEAN. Due to this the imports of Finished Goods under the FTA with ASEAN has increased from 256 MT in 2011-12 to around 2500 MT in FY 2015-16 and tubes and pipes from 5500 MT in 2011-12 to over 25000 MT in 2015-16. It means there has been a jump in imports of FG by almost 430% increase.</p> <p>If these products are allowed under the RCEP (Regional Comprehensive Economic Partnership) with China the 'Copper' and 'Brass' Industry will face closure due to cheap imports from China.</p>

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5.	Consumer Goods (Example One)	Import of Chinese made 'chemical-laced agarbatti' being branded as either herbal agarbatti or raw agarbatti has been rampant. Stricter implementation and enforcement of the Insecticides Act and Rules to inspect and seize such imported and 'chemical-laced Agarbatti must be immediately undertaken.	Department of Agriculture Odisha picked samples of such harmful chemicals in agarbatti, analysed the same and confirmed the same to the Central Insecticides Board.
6.	Consumer Goods (Example Two)	Counterfeit Chinese products bearing marks/ artistic works of well known business houses like Disney/ Marvel/ Mattel etc. Could cause accidents and injuries. No safety standards in place on counterfeit products. Difficult to locate / track down the actual manufacturer in China which is both cost and time consuming. Could also drag Right holders names into unnecessary litigation.	Toys ,electronics.

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No.	Industry	Problem	Examples
7.	Consumer Goods (Example Three)	Overall trade within the country could get affected as counterfeit products (priced lower than genuine products) discouraging right holders and growth of licensees of the right holders. Right holders and / licensees expend huge amounts on advertisement, marketing activities etc. which are closely monitored by the pirates/ their counterparts (eg. their importers/ agents) in India who track current market trends within India and accordingly service the market by providing counterfeit goods of a like nature bearing the right holders marks/ artistic images	Toys & games, electronic products, back to school products(bags, water bottles, stationery), apparels, footwear, stationery etc.

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8.	Animal Health and Nutrition	<p>Cheap Chinese products create unfair competition in animal health and nutrition business as most of these products are dumped into Indian market causing injury to Indian producers existence. This also increases the business risk due to supply issue.</p> <p>Since there is no price incentives for the domestic producers, increasingly India has become dependent on China supply. Today 70% API supply is from China either the domestic price is not competitive or there is no domestic producers.</p> <p>This influx of cheap product makes entire ecosystem of just merchant trading instead of real GDP creation. Government too losses revenues and employment generation opportunity.</p>	<p>The few examples worth mentioning are -</p> <ol style="list-style-type: none"> 1. Vitamin C where many Indian basic producers does not operate today owing to cheap Chinese offerings. The decision lies on make or buy. Even putting anti dumping or safe guard duty is not sufficient. 2. Vitamin AD3 is an vital ingredient for various nutritional additives for animal health. Today there is no domestic producer & we are 100% dependent on China Supply. Due to China Pollution issue the current price is four times higher than normal price & we are forced to caught up this huge burden or pass on to poor farmer. 3. Among many APIs like Penicillin group, Microcline Antibiotics, the basic manufacturing in India does not exist owing to cheap imports. We lost our competence and exposed ourselves to Chinese suppliers fully. <p>This way India carries great country risk to provide its growing population quality animal protein in the form of milk, milk products, chicken and eggs. Government must frame a level playing field through policy intervention to grow Indian manufactures competence.</p>

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No.	Industry	Suggestions
9.	General Suggestions	<ul style="list-style-type: none">i) Sunset Clauses.ii) Price compare with inside China prices.iii) Limit no invoice sales or unaccounted route import.iv) Quality Check at point of import.

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Thank You