India to back G20 move to curb excess steel capacity and subsidies

India has taken a tactical decision to back a recent G20 move to curb excess steel capacity and subsidies given by countries to their steelmakers, although the government fears that this may keep the local industry from availing itself of state support in the form of a minimum import price.

"We didn't resist the language in the declaration as we are also hit by China's excess capacity. India may oppose it later in OECD (Organisation for Economic Co-operation and Development) if it hurts developing countries' steelmaking capacity the battle will have to be fought there," said an official, who did not wish to be identified.

At the G20 trade ministers' meeting held recently, members said structural problems including excess capacity in some industries, exacerbated by a weak global economic recovery and depressed market demand, had caused a negative impact on trade and workers. "We recognise that excess capacity in steel and other industries is a global issue which requires collective responses.

"We also recognise that subsidies and other types of support from governments or government-sponsored institutions can cause market distortions and contribute to global excess capacity and therefore require attention," G20 said in a statement, calling for effective steps to address the challenges to enhance market function and encourage adjustment.

India is the world's third-largest steel producer, with a total installed capacity of 110 mt, but cheap imports from China, Russia, Japan and South Korea have hurt the domestic industry. Besides imposing a minimum import price, India is carrying out an anti-dumping probe against steel imports from some countries.

According to the OECD Steel Committee, global crude steelmaking capacity more than doubled between 2000 and 2014, led by an unprecedented expansion in capacity by China. It is projected to grow further by 2017 to 2,361 million metric tonnes (MMT), about 700 MMT more than the global steel demand in 2015.

India had opposed a similar proposal ten years ago which sought to limit developing countries' steelmaking capacity. "Under the garb of reducing excessive steel capacity, the attempt was to cap developing countries' steelmaking capacity and since developed countries had more capacity, they would supply to the world," said Abhijit Das, head of the Centre for WTO Studies at IIFT.

Chhattisgarh govt. to slash power tariff for steel industry

Chhattisgarh government's decision to reduce power tariff for industry has allegedly come as a shock for the secondary steel makers in neighbouring state of Maharashtra.

Following the fall in demand and high running cost, over 100 mini steel plants in Chhattisgarh had cut short the production over last many months that finally culminated in complete shut down on August 1. The mini steel plants across Chhattisgarh remained close for over a fortnight before the state government announced to curtail power tariff for the industry. The average per unit power tariff for the industry was reduced by INR 1.40 per unit and would remain effective till March 2017.

The annual production output from secondary steel makers in the state had been about 4 million tonnes. Of which, about 25 per cent steel is consumed in the state's domestic market. Since, the steel makers were not fulfilling the domestic demand, steel from Maharashtra started coming to the local market.

A senior state government official said that, "When the local industrialists gave presentation to the state government for bringing down power tariff, they cited that steel from Maharashtra was capturing the Chhattisgarh market that had posed threat for their survival."

STEEL PUNCH

- Shrinivas Prabhudesai

"Better find another job. We are closing the plant from next month !"