
Prelims and Mains focus: about the move to abolish duties and its significance; about dumping

News: The government’s decision to abolish anti-dumping duties on Purified Terephthalic Acid (PTA) will bring down manufacturing cost and potentially boost exports.

Background

- The anti-dumping duties, first imposed around July 2014, levied additional charges between $27 to $160 per metric tonne for those wishing to import PTA.

- Data from the Commerce Ministry shows exports of some products made with PTA like polyester staple fibres (used to make synthetic yarn) dropped over 35 per cent to $197 million in 2015-16 from $309 million in 2013-14.

- In 2018-19, India exported $320 million worth of this product. Exports of textured yarn of polyesters dropped 19 per cent to around $680 million in 2015-16 from around $842 million 2013-14, before growing to around $832 million last financial year.

About the move

- The move, announced in the Budget, does away with a previous NDA government decision to block countries like China, Taiwan, Malaysia, Indonesia, Iran, Korea and Thailand from substantially exporting the material — purified terephthalic acid (PTA) — to India.

Reason for abolishing anti-dumping duty

- As PTA is a raw material for many industries, there has been a persistent demand that they should be allowed to source it at an affordable rate, even if
it means importing it.

- The duties had led to downstream manufacturers of synthetic fabrics operating at only 70 per cent of their actual capacity.

- While India has a few domestic PTA producers like Reliance Industries and the Indian Oil Corporation, synthetic fabric makers have faced shortages of PTA on several occasions.

**What is PTA used for?**

- It is a raw material for synthetic fibre-based clothing and certain plastic-based products.

- It also follows “persistent” demand “for quite some time” from several industries to allow them to source the product at a more affordable rate.

**Significance of the move**

- Easy availability of PTA at competitive prices was desirable to unlock immense potential in the textile sector, seen as a significant employment generator.

- This removal of the anti-dumping duty would greatly help the country to enhance global competitiveness, boost exports and enable domestic manufacturers to compete with cheaper imports.

**What is dumping?**

- Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.

- Because dumping typically involves substantial export volumes of a product, it often endangers the financial viability of the product's manufacturers or
producers in the importing nation.

What Is an Anti-Dumping Duty?

An anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value. For protection, many countries impose stiff duties on products they believe are being dumped in their national market, undercutting local businesses and markets.