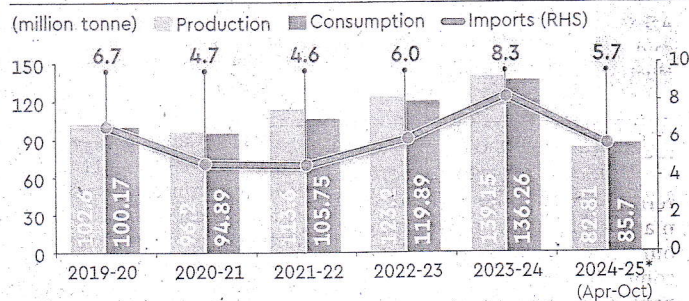


Safeguard duty on steel imports will deal MSMEs a blow

COST CONCERNS



● Proposal will hurt engineering exports too, says industry

MUKESH JAGOTA
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THE PROPOSAL FOR a 25% safeguard duty on steel imports, if implemented, will deal a blow to the struggling micro, small and medium enterprises (MSMEs) and engineering exports, according to industry representatives and experts.

The steel ministry's "ill-conceived" proposal will not just have an impact in terms of cost of inputs for MSMEs but also make their products "uncompetitive against imports," secretary general of the Federation of Indian Micro and Small & Medium Enterprises Anil Bhardwaj said.

The safeguard duty can also lead to an increase in project costs in sectors such as housing, thereby triggering a slowdown. This slowdown will again indirectly hurt MSMEs. Barring cement and steel, all inputs for construction come from small and medium enterprises, Bhardwaj said.

The government should not just look at protecting the producers of raw materials but the entire value chain and the government should have discussions with the user industry before taking a final decision, chairman of Engineering Export Promotion Council (EEPC) Pankaj Chadha said. The engineering sector

accounts for well over a quarter of total exports and it will be hurt the most. "Around 60% of engineering product exporters are in the MSME sector and account for 50% of the exports by value. MSMEs in general are barely surviving and any increase in safeguard duty will hurt even 'Make-in-India' plans," he added.

In a meeting with commerce and industry minister Piyush Goyal on December 2, steel minister H D Kumaraswamy made the proposal for 25% safeguard duty on imports of certain steel items, following concerns raised by domestic steel manufacturers about rising cheap imports from countries like China.

Trade policy think tank GTRI has, however, disputed domestic steel manufacturers' claims. "An impression has been created that India's steel imports are high, lack quality and supplied at below market prices and hence need ironclad controls. Data does not support high import theory," founder of Global Trade Research Initiative (GTRI) Ajay Srivastava said.

Chadha of EEPC said a safeguard duty will also give domestic producers room for increasing prices locally. It can be argued by steel manufacturers that inputs for exports can be imported duty-free but requirements of MSME are not that big to start importing directly, Bhardwaj said. India's total steel imports in 2023-24 were 8.3 million tonne, while in April-October of FY25, the volume stood at 5.7 million tonne.