

NOTIFICATION UNDER ARTICLE 12.1(A) OF THE
AGREEMENT ON SAFEGUARDS ON INITIATION OF
AN INVESTIGATION AND THE REASONS FOR IT

INDIA

The following communication, received on 17 March 1998, has been received from the Permanent Mission of India.

NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

(Under Rule 6 of the Customs Tariff (Identification and Assessment of Safeguard Duty)
Rules, 1997)

New Delhi, 5 February 1998

No. SG/INV/3/1997

Subject: Initiation of Safeguard Investigation concerning Imports of 'Carbon Black' into India

1. An application has been filed before me under rule 5 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, by the 'Association of Carbon Black Manufacturers' on behalf of M/s Cabot India Ltd., Mumbai, M/s Hitech Carbons, Renukot, M/s Oriental Carbon and Chemicals Ltd., Ghaziabad, and M/s Phillips Carbon Black Ltd., Calcutta for imposition of safeguard duty on imports of Carbon Black into India to protect the domestic producers of Carbon Black against serious injury caused by the increased imports of Carbon Black into India.

2. Domestic industry: The application has been filed by the 'Association of Carbon Black Manufacturers' on behalf of the above-mentioned four domestic producers of Carbon Black. There are six domestic producers of Carbon Black accounting for a total domestic production of 245,897 MT (1996-97). The applicants named above account for 233,762 MT (1996-97) which constitutes a major proportion of the domestic production.

3. Product involved: The applicants have alleged serious injury caused to the domestic producers by the increased imports of 'Carbon Black for rubber industry' into India. 'Carbon Black for rubber industry' classified under sub-heading No. 2803.00 of the First Schedule to the Customs Tariff Act, 1975, and under 28030002 of the Indian Trade Classification (ITC) is a form of Carbon. Carbon Black used mainly by rubber industry, including the tyre industry, is the product under investigation.

4. Increased imports: Carbon Black is imported into India from Australia, Belgium, Canada, China, Chinese Taipei, Egypt, France, Germany, Indonesia, Iran, Japan, Korea Rep. of, Netherlands, Singapore, Thailand, United Arab Emirates, United Kingdom and the United States. The imports have

shown an increasing trend in absolute terms as well as compared to domestic production. The imports and domestic production of Carbon Black for rubber industry during 1994-95 to 1997-98 (April-September) have been as under:

Year	Import of Carbon Black (MT)	Total domestic production of Carbon Black (MT)	Import as percentage of domestic production
1994-95	28,927	180,093	16.06
1995-96	16,788	225,644	7.44
1996-97	17,773	245,897	7.22
1997-98 (April-Sept.)	28,917	102,629	28.18

The applicants have stated that in 1993-94 and 1994-95 there was a huge increase in imports because the then import policy permitted duty free import of Carbon Black against Value Based Advance Import Licences (VABAL) and the tyre industry concentrated on import of Carbon Black against VABAL licences. In August 1993, the duty free imports of Carbon Black against VABAL licences were subjected to both quantity and value limits. The backlog of licences already issued had, however, its impact on imports up to 1994-95. The imports settled down to around 17,000 MT in 1995-96 and 1996-97. From the quarter October-December 1996, however, the imports have started increasing substantially at reduced prices as is indicated in the table below.

Quarter	Imports (MT)	Imports Re/MT
October-December 1996	3,662	20,204
January-March 1997	10,199	19,640
April-June 1997	13,071	19,096
July-September 1997	15,487	18,282

5. Injury: The increased imports of Carbon Black have threatened to cause serious injury to the domestic producers of Carbon Black as indicated by the following factors:

- (a) Production: the production of Carbon Black which reached a peak of 245,897 MT in 1996-97 has come down to a level of 102,629 MT in the first six months of 1997-98 resulting in a fall of 16.5 per cent in production on a *pro rata* basis;
- (b) Capacity utilization: keeping with the production, capacity utilization also reached a peak of 80.35 per cent in 1996-97 which has come down to 66.64 per cent during the first six months of 1997-98 resulting in a loss of 13.71 percentage points of capacity utilization;
- (c) Sales: the four applicant companies have registered loss of domestic sales which has fallen down from 187,250 MT in 1996-97 to 80,212 MT in the first six months of 1997-98, which works out to 42.84 per cent of 1996-97 sales, i.e. a loss of 7.16 percentage points (on a *pro rata* basis). The four applicant companies have been able to maintain this reduced share in domestic market only at a reduced average selling

price which has fallen down from Re 28,404 per MT to Re 26,370 per MT in the corresponding period;

- (d) Loss of profit: the four applicant companies in 1997-98 (April-September) produced Carbon Black at a cost of production of Re 24,460 per MT, sold with an average sales realization of Re 26,370 per MT as against a cost of production of Re 22,458 per MT, sold with an average sales realization of Re 28,404 per MT in 1996-97. The four applicant companies have thus registered a reduction in profits;
- (e) Surplus capacities: the four applicant companies have alleged availability of surplus capacities of Carbon Black in Asia-Pacific region as compared to the demand.

The table below shows capacity, capacity utilization, production, sales and average selling price of the domestic industry for 1994-95 to 1997-98 (April to September).

Year	Installed capacity	Capacity utilization (%)	Production	Sales of applicants	Average selling price of applicants
1994-95	280,834	64.12	180,093	165,254	19,945
1995-96	280,834	80.34	225,644	170,847	25,957
1996-97	306,000	80.35	245,897	187,250	28,404
1997-98 (Apr.-Sept.)	154,000	66.64	102,629	80,212	26,370

6. The domestic producers have requested for imposition of safeguard duty on imports of 'Carbon Black for rubber industry' for a period of four years. They have also requested for an immediate imposition of provisional safeguard duty.

7. The application has been examined and it is found that *prima facie* increased imports of Carbon Black have threatened to cause serious injury to the domestic producers of Carbon Black and accordingly it has been decided to initiate an investigation through this notice.

8. All interested parties may make their views known by 23 March 1998 to:

The Director-General (Safeguards)
5th Floor, D-Block,
Indraprastha Bhawan, I.P. Estate
New Delhi - 110002
India

9. All known interested parties are also being addressed separately.

10. Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director-General (Safeguards) within 21 days from the date of this notice.