RETHINKING INDIAN TRADE REMEDIES THROUGH THE LENS OF COSTING DATA

Abstract

The article argues that India's trade-remedy framework should move beyond protecting an injured upstream industry and assess the wider impact on downstream manufacturers, exporters, MSMEs, employment and value addition. While anti-dumping, countervailing and safeguard measures remain necessary against unfair trade, duties on raw materials may raise domestic costs, weaken exports and encourage finished-goods imports. Drawing on VSF, PTA, acrylic fibre and steel, the article proposes product-wise cost analysis, independent cost verification, symmetrical downstream evidence, export-competitiveness assessment, post-implementation review and performance-linked protection. Its central test is whether verified upstream gains are commensurate with the wider costs imposed on the Indian economy.

CMA Inder Pal Singh
Additional Chief Advisor (Cost) (Retd.)
New Delhi
inderpal.ip@gmail.com

From Injury Analysis to National Value Analysis

Trade remedies are decided in law—but their true national consequences are revealed in costs

The Missing National Balance Sheet

India's trade and industrial policies contain an important internal tension. The country seeks to become a global manufacturing hub, expand merchandise exports, integrate Indian enterprises into global value chains and create large-scale industrial employment. At the same time, India frequently imposes anti-dumping duties, countervailing duties, safeguards and other restrictions on raw materials and intermediate products used by the industries expected to achieve these objectives. Trade remedies have a legitimate and necessary role. Indian producers cannot reasonably be expected to compete indefinitely against goods found, after a lawful investigation, to have been dumped, unfairly subsidised or imported in quantities causing legally recognisable injury.

The real policy issue is therefore not whether India should possess a strong trade-remedy system. It is whether the **form, quantum and duration** of a particular remedy create a net benefit for the Indian economy. A duty may improve selling prices, profitability, output or capacity utilisation for an upstream producer. Simultaneously, it may raise production costs for hundreds or thousands of downstream enterprises.

For exporters, even a relatively small increase in input cost may:

- erode contribution margins;
- weaken international quotations;
- delay deliveries;
- discourage product development;
- reduce capacity utilisation;
- postpone investment;
- shift orders to another country; or
- permanently damage relationships with overseas buyers.

The applicant industry's injury is normally concentrated, documented and visible. Downstream losses are dispersed across numerous firms and may emerge gradually.A lost export order does not appear in the applicant's injury statement. Nor does the garment that was never manufactured, the engineering component sourced from another country, the investment postponed by an MSME or the overseas buyer who permanently changed suppliers.

India initiated 1,337 anti-dumping investigations between January 1, 1995 and December 31, 2025—approximately 17.9 per cent of all investigations reported globally during that period. This reflects the intensity of unfair-trade concerns faced by Indian industry. It also places a greater responsibility on India to develop an equally sophisticated framework for measuring the consequences of trade remedies imposed on industrial inputs.

Does the verified economic value protected upstream exceed the verified economic value placed at risk downstream?

The question cannot be answered through assertions alone. It requires reliable, product-specific and independently verified costing data.

I. THE LEGAL TEST IS ESSENTIAL—BUT ECONOMICALLY INCOMPLETE

An anti-dumping investigation ordinarily examines:

1. whether the goods are exported to India below their legally determined normal value;
2. whether the domestic industry producing the like article suffers material injury; and
3. whether the dumped imports caused that injury.

These requirements are indispensable. They prevent duties from being imposed merely because imports are inexpensive or domestic producers face commercial difficulty.

However, where the product under investigation is a raw material, component or intermediate input, these legal tests do not answer every question relevant to national economic welfare.

The authority must also determine:

- the number and economic size of downstream industries using the product;
- the proportion of downstream production that is exported;
- the input's share in the cost of the finished product;
- whether domestic producers can supply the required quantity, quality, grade and delivery schedule;
- the difference between input prices paid in India and those available to competing foreign manufacturers;
- whether exporters can pass additional costs to overseas buyers;
- whether input protection may encourage imports of finished products;
- employment and value addition protected upstream versus employment and value addition exposed downstream; and
- whether a less restrictive remedy could adequately remove the established injury.

DGTR already recognises user industries and economic-interest considerations through its questionnaires and stakeholder consultations. It also calculates a non-injurious price for the applicant domestic industry using detailed information concerning raw materials, utilities, expenses, investment, capacity utilisation and return on capital employed.This is an important foundation.But a structural asymmetry remains.

The applicant industry's injury is generally examined through detailed and verified product costing. Downstream harm is frequently assessed through questionnaires, general submissions, industry averages and projections that may not receive an equivalent level of independent cost verification. The result is an evidentiary imbalance.A genuine national-interest or commensurateness assessment requires both sides of the industrial value chain to be evaluated through comparable standards.

II. WHY COSTING DATA MUST BECOME CENTRAL TO TRADE-REMEDY POLICY

Financial statements are designed to present the overall financial position and performance of an enterprise. They do not necessarily disclose with adequate precision:

- product-wise cost of production;
- plant-wise efficiency;
- consumption norms for materials and utilities;
- idle-capacity and abnormal costs;
- domestic versus export costs;
- profitability by product, grade or production line;

- related-party pricing;
- captive consumption;
- cost incidence of a particular imported input; or
- contribution margin on an exported finished product.

A company may be profitable overall while the product seeking protection is commercially viable. Conversely, a company may report an overall loss even though the protected product remains profitable.Group-level accounts may combine several products, plants and unrelated business activities. They may conceal inefficient production, excessive overhead allocation, abnormal expenses or profits generated by one segment but attributed to another.Trade-remedy measures may affect an entire value chain for five years or longer. Decisions with such consequences should not depend upon broad financial ratios where product-specific cost information is available.

India already possesses a powerful cost-data architecture

Section 148 of the Companies Act, 2013 authorises the Central Government to require prescribed classes of companies to maintain particulars relating to materials, labour and other items of cost and, where necessary, to have those records independently audited. The Companies (Cost Records and Audit) Rules, 2014 already cover most of the sectors involved in trade-remedy proceedings. Therefore, the cost-record framework is substantially richer than a routine compliance return.

It can disclose:

- per-unit cost of production;
- cost of sales;
- product-wise margin;
- domestic and export sales;
- related-party transactions;
- inter-unit transfers;
- captive consumption;
- plant-wise capacity;
- production and capacity utilisation;
- idle time;
- capital employed;
- new investment; and
- capacity additions.

Cost statements are reconciled with financial statements. Cost auditors examine whether the statements present a true and fair view of production costs, cost of sales, margins and product-wise information.These are precisely the data required to determine whether a trade remedy is economically proportionate.Cost audit should therefore not be treated merely as an annual corporate-compliance requirement. It should become the verified data backbone of:

- injury analysis;
- downstream-impact assessment;
- economic-interest examination;
- mid-term evaluation; and
- sunset review.

III. LESSONS FROM INDIA'S OWN EXPERIENCE

1. Viscose Staple Fibre: upstream protection and downstream pressure

Viscose staple fibre, or VSF, is an important input for yarn, fabric, apparel, home textiles and non-woven products. Its value chain extends through spinning, weaving, processing, design, garment manufacturing, logistics and exports. These downstream activities are generally more fragmented and labour-intensive than fibre production.

India initiated an anti-dumping investigation concerning VSF imports from China and Indonesia in March 2009. Final findings were issued in May 2010, and the measure was subsequently examined through sunset reviews. An academic preprint based on firm-level sales data and international prices estimated that the policy environment affecting VSF between 2010 and 2024 generated approximately US$2.5 billion to US$3.1 billion in cumulative domestic price-related rents. It also observed that India's share of global exports of certain VSF-based yarns and garments declined during the relevant period.The study is not a statutory finding and remains subject to methodological scrutiny. It does not establish improper conduct by any producer. Export performance was also affected by global demand, exchange rates, fashion preferences, freight costs, energy, finance, productivity and competition from China, Bangladesh, Vietnam and other suppliers.

The defensible conclusion is therefore not that anti-dumping duty alone caused weaker exports.It is that a sustained domestic input-price disadvantage may have contributed materially to the pressure faced by downstream manufacturers. The Government eventually removed anti-dumping protection from VSF and subsequently presented the removal of duties on man-made-fibre inputs as a measure intended to support exports.

The relevant questions should have been examined annually:

- What was the domestic price premium?
- How much did it increase yarn, fabric and garment costs?
- How many downstream jobs and exports were exposed?
- Did the protected industry reduce its controllable costs?
- Did productivity, investment and supply improve?
- Were upstream benefits commensurate with downstream costs?

A structured cost-audit mechanism could have answered these questions while the measure was operating.

2. Purified Terephthalic Acid: the clearest public-interest reversal

Purified terephthalic acid, or PTA, is a principal raw material for polyester fibre, filament yarn, film, PET resin, packaging and other industrial products.India imposed anti-dumping duties on PTA imported from several countries. Downstream users argued that domestic demand exceeded supply, imports were commercially necessary and higher PTA prices weakened the competitiveness of man-made-fibre producers.

DGTR appropriately distinguished the submissions of users from its legal conclusions. It observed that domestic producers were not required to satisfy the entire Indian demand and that anti-dumping duty did not legally prohibit imports.That distinction was legally valid but economically incomplete.Imports may remain legally permissible while becoming commercially unviable. A downstream exporter does not merely require permission to import. It requires the input at a landed cost that allows the final product to compete internationally.The PTA proceedings also demonstrated the evidentiary imbalance.

The domestic industry's non-injurious price was determined from verified information concerning:

- production;
- demand;
- cost of sales;
- selling prices;
- landed import values; and
- return on capital employed.

What remained missing was a similarly rigorous answer to the downstream questions:

- What percentage of fibre and yarn cost was represented by PTA?
- How much did the duty increase cost per kilogram?
- What happened to downstream contribution margins?
- How did Indian input prices compare with those in competing countries?
- Did imports of finished products increase?
- What employment and value addition were placed at risk?
- Was the upstream benefit greater than the downstream cost?

The eventual policy reversal was significant. In the Union Budget 2020–21, the Government abolished the anti-dumping duty on PTA. The Budget recognised PTA as a critical input for textile fibres and yarn and concluded that competitive availability was necessary to unlock the sector's employment potential. The duty was abolished **"in the larger public interest."** The Ministry of Textiles subsequently stated that the duty had increased the cost of man-made fibre and filament and weakened international competitiveness.

The PTA experience establishes an important proposition:

A trade remedy may be legally justified when imposed but may still require modification or withdrawal when its verified economy-wide cost becomes disproportionate.

A mandatory post-implementation assessment within 18 to 24 months might have identified the problem earlier.

3. Acrylic Fibre: competitive inputs are part of export policy

Acrylic fibre is used in acrylic yarn, knitwear, hosiery, winterwear, blankets and blended textile products.The policy conflict was familiar. Upstream manufacturers sought relief from unfairly priced imports; downstream producers required fibre at internationally competitive prices.

The Government removed anti-dumping duty on acrylic fibre imported from Thailand in November 2020. Official statements explained that removal was intended to make the fibre available at international prices, reduce acrylic-yarn costs and support production and exports.It would be incorrect to attribute export performance entirely to the duty. International demand, currencies, labour productivity, logistics, destination-market tariffs and buyer sourcing decisions also mattered.

The larger principle is nevertheless clear:

Competitive input pricing is itself an instrument of export promotion.

If a raw material is protected more heavily than the finished product, domestic value addition may be discouraged.

India may protect fibre but lose yarn, protect polymer but lose finished plastic products, or protect steel but lose machinery and engineering components.The national objective should not be to maximise production at the first stage of a value chain. It should be to maximise total Indian value addition across the chain.

4. Steel: measurable upstream gains, unmeasured downstream costs

The steel experience illustrates both the necessity and risks of trade protection.During 2015–16, global overcapacity, increasing imports and falling domestic prices created severe pressure on Indian steel producers. The Government responded through anti-dumping duties, safeguard duty and a temporary minimum import price covering numerous products.

The upstream results were measurable.The Government subsequently reported that during April–December 2016:

- finished-steel imports fell by 29.4 per cent; and
- steel exports increased by 80 per cent compared with the corresponding previous period.

These figures show that protective measures can provide meaningful breathing space.But they do not complete the national balance sheet.

Steel is a critical input for:

- machinery;
- automotive components;
- castings and forgings;
- hand tools;
- bicycles;
- electrical equipment;
- agricultural implements;
- fabricated products;
- infrastructure equipment; and
- thousands of engineering MSMEs.

EEPC India estimated that the minimum import price could increase raw-material costs for engineering products by approximately 6 to 10 per cent. It also warned that imports of finished iron and steel products were rising faster than raw-material imports, creating the possibility that Indian manufacturers would pay more for steel while imported finished goods remained competitive.

These estimates do not establish that the steel measures caused the entire decline in engineering exports. Global demand, commodity cycles, currencies, financing costs, logistics and foreign tariffs also mattered.

But the methodological gap is clear:

- the decline in steel imports was measured;
- the increase in steel production and exports was measured;
- benefits to primary producers were observable;
- additional costs across downstream engineering products were not systematically audited;
- lost export orders were not calculated; and
- employment and value addition exposed in engineering MSMEs were not compared with jobs protected upstream.

Without this comparison, it is impossible to determine whether the economy-wide benefit was commensurate with the economy-wide cost.

IV. WHY DOWNSTREAM LOSSES MAY EXCEED UPSTREAM GAINS

1. Downstream industries may be much larger

The applicant industry may consist of only a few producers, while the protected input may be used by thousands of businesses.A ₹1 increase in an upstream producer's realisation is not necessarily a ₹1 increase in national welfare. It may partly represent a transfer from downstream manufacturers and consumers.

2. Finished products contain greater value addition

When fibre becomes yarn, fabric and apparel—or steel becomes machinery and components—additional labour, design, technology, processing, logistics and services are incorporated.Protecting ₹100 of upstream value while contributing to the loss of ₹300 of downstream value is not successful industrial policy.

3. Exporters cannot always pass on costs

A domestic producer may transfer higher costs to Indian customers. An exporter often cannot because the overseas buyer can shift the order to another country.

The increased cost may therefore result in:

- lower margins;
- reduced production;
- delayed investment;
- pressure on employment;
- compromised quality; or
- complete loss of the order.

4. Finished-goods imports may replace domestic manufacturing

If an industrial input is more heavily protected than the finished product, importing the final article may become cheaper than manufacturing it in India.A measure intended to encourage domestic production can unintentionally move value addition outside India.

5. Market displacement may become permanent

Once a foreign buyer changes suppliers, the new supplier undergoes approval, develops specifications, establishes logistics and becomes part of the buyer's sourcing network.

Withdrawal of the duty does not automatically restore the lost commercial relationship.

6. Protection may weaken adjustment incentives

A remedy should provide time to modernise, improve productivity, reduce costs and develop products.It should not become a substitute for competitiveness.

7. Export support may compensate for policy-created costs

India operates RoDTEP, RoSCTL and other schemes because exports should not carry embedded domestic taxes and levies.If a trade remedy raises the domestic price of an industrial input, the Government may subsequently spend fiscal resources trying to restore competitiveness weakened by another policy instrument.Trade, tariff, export and industrial policies must therefore be evaluated together.

V. IMPORTED INPUTS CAN ENABLE INDIAN MANUFACTURING

Imported inputs are not merely imports. They may provide:

- specialised grades unavailable domestically;
- better quality or consistency;
- technology not locally produced;
- timely supplies during shortages;
- alternative sources reducing supply-chain risk;
- inputs approved by global customers; and
- competitive price benchmarks.

Research on Indian manufacturing has found that lower tariffs and greater access to imported intermediate inputs contributed significantly to the introduction of new products by Indian firms. The underlying draft refers to research estimating that lower intermediate-input tariffs accounted for approximately 31 per cent of new products introduced by Indian manufacturers. The implication extends beyond the immediate cost of a duty.

Restriction of an intermediate input may affect:

- product quality;
- technological upgrading;
- innovation;
- export diversification;
- new-product development; and
- participation in international supply chains.

An export that never materialises will not appear in customs data. It remains a real economic loss.

VI. A COST-AUDITED COMMENSURATENESS TEST

India need not weaken its trade-remedy system. It should strengthen the system by placing it on a more complete and verifiable evidentiary foundation.

1. Mandatory Trade-Remedy Cost Statement

Every application involving a raw material, component or intermediate product should include a product-specific Cost Impact Statement duly reconciled with CRA-1 records and CRA-3 cost audit reports, wherever applicable.

2. Symmetrical downstream evidence

A representative sample of large users, MSMEs and exporters should provide certified information showing:

- the input's share in finished-product cost;
- input prices before and after the proposed remedy;
- international benchmark prices;
- contribution margins;
- ability to pass on additional cost;
- effect on production and employment;
- finished-goods import competition;
- export orders lost or renegotiated; and
- investment affected.

Smaller enterprises may submit simplified schedules certified by practising cost accountants.

3. Independent cost verification

The cost auditor should not decide dumping, injury, causation or duty. Those functions must remain with DGTR and the competent Government authorities. However, the auditor should verify:

- completeness of product-wise information;
- consistency of allocation methods;
- captive and related-party transactions;
- reconciliation with financial accounts;
- treatment of abnormal costs;
- capacity and utilisation; and
- domestic and export sales.

4. Reconciliation with Government databases

Submissions should, where relevant, be reconciled with:

- financial statements;
- statutory cost records;
- cost-audit filings;
- GST and e-invoice data;
- customs records; and
- DGCI&S — Directorate General of Commercial Intelligence and Statistics.

Material inconsistencies should be explained before reliance is placed upon the information.

5. Export-competitiveness determination

Before recommending a remedy on an input materially used in exports, DGTR should issue a separate determination addressing:

- the Indian input price;
- prices paid by manufacturers in competing countries;
- input share in final-product cost;
- expected cost increase;
- exporter margins;
- ability to pass on cost; and
- likely effect on export quantity, value and market share.

Where serious export injury is probable, less restrictive options should be considered, including:

- a lower duty;
- shorter duration;
- price undertakings;
- duty-free access for unavailable grades;
- tariff-rate quotas; or
- targeted adjustment support.

6. Actual supply, quality and delivery audit

Installed capacity must not be treated as synonymous with available supply.

The authority should verify:

- actual saleable production;
- captive consumption;
- merchant-market surplus;
- specialised grades;
- quality consistency;
- rejection rates;
- buyer approvals;
- maintenance shutdowns;
- geographical availability; and
- delivery performance.

An exporter cannot meet a time-bound international contract using notional capacity.

7. Domestic price-premium and concentration analysis

During each year of protection, the authority should compare:

- domestic cost of production;
- reasonable return;
- domestic selling price;
- producer's export price;
- landed import price;
- international benchmarks; and
- market concentration.

A domestic price premium does not automatically establish misconduct. It may reflect energy, finance, scale, technology, logistics or quality.But a persistent and material premium should trigger examination of whether protection remains proportionate and whether the industry is reducing its structural cost disadvantage.

8. Cumulative protection statement

The assessment should disclose the combined impact of:

- basic customs duty;
- anti-dumping duty;
- countervailing duty;
- safeguard duty;
- surcharge;
- minimum import price;
- import licensing;
- quality-control requirements; and
- other border or regulatory restrictions.

A measure that appears moderate in isolation may become excessive when combined with existing protection.

9. Adjustment obligations

Protection should be linked to a measurable plan covering:

- capacity expansion;
- technology modernisation;
- energy efficiency;
- yield and productivity;
- reduction in unit cost;
- specialised product development;
- quality;
- delivery;
- employment; and
- convergence with international prices.

Protection should purchase competitiveness—not merely time.

10. Mandatory post-implementation review

The following proposals may go beyond current statutory practice and may require amendments to the Customs Tariff Act, the applicable Rules or the Government's administrative framework.

Within 18 to 24 months, an independent assessment should determine whether:

- production and capacity utilisation increased;
- proposed investment materialised;
- unit costs declined;
- domestic prices moved towards global benchmarks;
- downstream input costs increased;
- exports expanded or contracted;
- imports shifted from inputs to finished products;
- employment commitments were achieved; and
- the net national benefit remained positive.

Where serious downstream damage is established, a review should not wait for the normal five-year cycle.

11. Genuine sunset review

A sunset review should examine not only whether dumping and injury may recur, but also:

- how the industry used the relief period;
- whether controllable costs declined;
- whether productivity improved;
- whether supply gaps were addressed;
- whether domestic prices became competitive;
- whether downstream exports were impaired; and
- whether continuation still produces a positive national benefit.

VII. TWO PRACTICAL ROUTES FOR IMPLEMENTATION

Immediate administrative reform

DGTR can introduce several measures through a trade notice without awaiting extensive legislative amendment:

- a standard upstream Cost Impact Statement;
- a simplified downstream and exporter schedule;
- mandatory reconciliation with statutory cost records;
- cost-accountant certification for material cost claims;
- a cumulative protection statement;
- an export-competitiveness determination; and
- an economy-wide commensurateness table in final findings.

Structural statutory reform

The Ministry of Commerce, Department of Revenue and Ministry of Corporate Affairs should jointly consider:

- formal recognition of statutory cost records in trade-remedy investigations;
- targeted use of section 148 for trade-remedy-sensitive sectors;
- a special cost-reporting schedule;
- limited product-specific reporting by export-oriented and SEZ enterprises;
- mandatory post-remedy evaluation; and
- express use of cost-audit evidence in mid-term and sunset reviews.

The Institute of Cost Accountants of India can assist in establishing uniform standards for:

- allocation of costs;
- capacity adjustment;
- captive consumption;
- related-party transactions;
- abnormal costs;
- export costing; and
- downstream duty incidence.

A secure digital repository should allow authorised agencies to examine product-wise cost trends throughout the life of a remedy while protecting legitimate commercial confidentiality.

CONCLUSION: FROM INJURY ANALYSIS TO NATIONAL VALUE ANALYSIS

Trade remedies remain indispensable where dumped, subsidised or surging imports cause genuine injury.A strong manufacturing economy must possess an effective defence against unfair trade.But strong trade defence does not require an incomplete economic analysis.

India's experience with VSF, PTA, acrylic fibre and steel demonstrates the need to look beyond the first stage of the value chain:

- VSF protection raised important questions concerning domestic price effects and downstream export competitiveness.
- PTA duties were ultimately abolished in the larger public interest because competitive input availability was essential for fibre and yarn production.
- Acrylic-fibre duties were withdrawn to improve raw-material availability and reduce downstream costs.
- Steel measures produced measurable benefits for primary steel but raised insufficiently audited concerns for engineering exporters and MSMEs.

None of these examples establishes that a trade remedy alone caused weaker exports. Global demand, currencies, logistics, energy, finance, foreign tariffs, productivity and competition all influenced the outcomes.

The evidence supports a narrower but critical conclusion:

Where trade remedies materially increase the price or restrict the availability of industrial inputs, they may weaken downstream competitiveness—and that cost must be quantified before the measure is imposed, continued or extended.

A protected producer's improved profitability may be a legitimate benefit.It is not automatically a net national gain.A reduction in imports is not automatically self-reliance. If it is accompanied by weaker domestic value addition, reduced exports or increased imports of finished goods, the larger industrial objective may have been missed.The true measure of trade policy is not the number of duties imposed.It is the sustainable production, employment, innovation, investment, value addition and exports generated across the economy.India cannot determine that balance through assertions alone.

It requires:

- product-wise and plant-wise costing;
- independently verified upstream and downstream evidence;
- transparent reconciliation;
- export-competitiveness analysis;
- performance-linked protection;
- post-implementation measurement; and
- a genuine economy-wide commensurateness test.

The Companies Act and the Cost Records and Audit Rules already provide much of the institutional foundation. That architecture should now be actively integrated into Indian trade-remedy decision-making.

The ultimate question should not merely be:

Has the applicant domestic industry established legally recognisable injury?

It should also be:

Do independently verified costing data demonstrate that the gains to upstream producers are truly commensurate with the costs imposed upon exporters, downstream industries, employment and the wider Indian economy?

That is the difference between temporarily protecting one industry and advancing India's long-term industrial competitiveness. MA