

Towards a Resilient Steel Industry in India: Optimising Trade Competitiveness vis-a-vis China

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September 2024

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August 2024

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Abstract: *This study examines the import dependence and export competitiveness in the Indian steel sector. The National Steel Policy 2017 aims at enhancing steel production capacity to 300 MT by 2030. The study observed that the normalised trade balance is negative for several products in both HS 72 and 73 category. Further, the import penetration increased in the second period of analysis (2018), indicating increased import dependence to meet domestic demand. Export orientation is also not substantial during the same period, indicating a loss of competitiveness of the domestic firms. Over time, import restrictions are coming down, which increase competition faced by domestic firms, which is further resulting in lack of export competitiveness. Analysis on export competitiveness using RCA indicates our export competitiveness for HS 73 category products, which involves more value added products, are very less compared to China, whereas for the HS category 72 products we are gaining competitiveness in recent times. Further, for China, products with high export share is having better RCA than that for India. A Constant Market Share (CMS) decomposition analysis applied to examine the possible drivers of export growth in India found that much of the export growth is occurring due to the matching world growth effects, and not due to the competitiveness effect. However, a good number of steel products India benefitted from the commodity effects, as its demand increased globally. A major concern arising from the firm level analysis is the very low investment in R&D despite the global challenges from Carbon Border Adjustment Mechanism (CBAM), which India should address in the near future.*

Keywords: *Regulations and Industrial Policy; Sectoral Planning Methods; Industry Studies, Manufacturing, Metal and Metal Products*

JEL classification: *L5; L520; L61*

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Acknowledgements: Author acknowledges her sincere thanks to Prof. Nagesh Kumar for the invaluable encouragement and support provided throughout this study. I am also thankful to Dr. R. Rijesh and Dr. Akhilesh Kumar Sharma for the discussions and support for this study. I have also benefitted from Prof. Vinish Kathuria's comments during the presentation of some sections of this paper at the Institute of Development Studies (IDS), Jaipur and ISID.

For the complete working paper, please contact the author at sbeena@isid.org.in; vsbeena@gmail.com

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