

5. Purified Terephthalic Acid (PTA)-Abolished

Prelims Level: Taxes and Taxation

Mains Level: GS-III Effects of liberalization on the Economy, Changes in Industrial Policy and their effects on Industrial Growth.

Context:

- Recently, the government has abolished anti-dumping duty on a chemical called Purified Terephthalic Acid (PTA).
- It was also being mentioned by the Finance Minister in her Budget speech.

About Purified Terephthalic Acid (PTA):

- It is important for those who are in the manufacturing sector of man-made fabrics or their component – makes up for around 70-80% of a polyester product.
- It is a crucial raw material **used** to manufacture polyester coatings resins for use in the formulation of general metal, appliance, automotive, industrial maintenance, and coil coatings.
- **What is Dumping?** It is said to occur when the goods are exported by a country to another country at a price lower than the price it normally charges in its own home market. This is an unfair trade practice which can have a distortive effect on international trade.
- **What is Anti-dumping?** It is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect.
- **Anti-dumping duty** is used as an instrument of fair competition which is permitted by the **World Trade Organisation (WTO)**.

Reason for the Controversy:

- The domestic companies facing with limited domestic suppliers of PTA because of their costlier product less attractive for their domestic and international buyers.
- An increase in imports of the products they had been producing, as there was no safeguard against imports of cheaper versions of these downstream polyester-based products.
- The abolition of Anti-Dumping Duty on PTA has come after persistent demand from the manufacturing and Textile Industry.
- **Other raw materials: Mono Ethylene Glycol (MEG)**, another raw material used in the manufacturing of polyester, is currently the subject of another anti-dumping duty investigation initiated by DGTR recently.

Directorate General of Trade Remedies:

- The anti-dumping duty on PTA was imposed after domestic manufacturers approached the Directorate General of Trade Remedies (DGTR).
- It is the apex national authority under the Ministry of Commerce and Industry.
- It administers all trade remedial measures including anti-dumping, countervailing duties and safeguard measures.
- It provides trade defence support to the domestic industry and exporters in dealing with increasing instances of trade remedy investigations instituted against them by other countries.

