

OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE
NO.1, WILLIAMS ROAD, CANTONMENT, TRICHY-1.

TRADE NOTICE: 1/2007 - CE

DATED : 11.1.2007.

Sub: Communication of circular on Safeguard Measures to Central
Excise Assesseees – Regarding.

Copy of Circular in file No. C-21011/33/2006 dated 21.12.2006 issued by the Directorate General of Safeguards, Customs & Central Excise, New Delhi, is communicated herewith for information, guidance and necessary action.

(Issued from file C.No.IV/16/2/2007 – C.Ex.Pol.)

(Corresponding file no: 14/16/260/2006 (G.Pol))



(M.G. THAMIZHVALAVAN)
JOINT COMMISSIONER (TECH)

To

Assesseees paying duty above 50 lakhs.

**Directorate General of Safeguards
Customs & Central Excise
2nd Floor, Bhai Vir Singh Sahitya Sadan
Bhai Vir Singh Marg, Gole Market,
New Delhi-110 001.**

F.No. E-21011/33/2006

Date 21.12.2006

Circular

Sub: Safeguard Duty - A Trade Protection Measure for Domestic Industry

The Safeguard duty provided under Sections 8B and 8C of the Customs Tariff Act, 1975 is a trade protection measure against injury to the domestic industry from surge in imports caused by India's commitments under the GATT, 1994 e.g. lowering of tariff and non-tariff barriers. Statutory provisions for this measure were made in 1997 and 2002, respectively. Cases of serious injury to the domestic trade are investigated by this Directorate General of Safeguards, functioning under the Central Board of Excise and Customs. Wherever required, Safeguard duty is imposed over and above the applicable rate of Customs duty. Applications for imposition of Safeguard duty can be filed by the domestic industry including individual producer. Imposition of provisional safeguard duty can also be considered wherever, the surge in imports pose an imminent threat to the domestic industry.

Complete details about the Safeguard measures are available on the Directorate's web site www.dgsafeguards.gov.in. Any clarification in the matter may be sought from Shri K. K. Sood, Assistant Commissioner, on phone (23745056) or through e mail (dgsafeguards@nic.in).



(V. B. DHAR)
Additional Commissioner

Safeguard Provisions under the Customs Tariff Act, 1975 (Section 8B)

Section 8B of the Customs Tariff Act, 1975 empowers the Central Government to impose Safeguard Duty on goods which enter in increased quantities and cause or threaten to cause serious injury to domestic industry producing like or directly competitive goods.

Legal Texts:**SB Power of Central Governmnet to Impose Safeguard Duty:**

1. If the Central Government, after conducting such enquiry as it deems fit, is satisfied that any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry, then, it may, by notification in the Official Gazette, impose a safeguard duty on that article:

Provided that no such duty shall be imposed on article originating from a developing country so long as the share of imports of that article from that country does not exceed three percent or where the article is originating from more than one developing countries, then, so long as the aggregate of the imports from all such countries taken together does not exceed nine percent of the total imports of that article into India.

Provided further that the Central Government may, by notification in the Official Gazette, exempt such quantity of any article as it may specify in the notification, when imported from any country or territory into India, from payment of the whole or part of the safeguard duty leviable thereon.

2. The Central Government may, pending the determination under sub-section (1), impose a provisional safeguard duty under this sub-section on the basis of a preliminary determination that increased imports have caused or threatened to cause serious injury to a domestic industry:

Provided that where, on final determination, the Central Government is of the opinion that increased imports have not caused or threatened to cause serious injury to a domestic industry, it shall refund the duty so collected:

Provided further that the provisional safeguard duty shall not remain in force for more than two hundred days from the date on which it was imposed.

(2A) Notwithstanding anything contained in sub-section (1) and sub-section (2), a notification issued under sub-section (1) or any safeguard duty imposed under sub-section (2), unless specifically made applicable in such notification or such imposition, as the case may be, shall not apply to articles imported by a hundred percent export oriented undertaking or a unit in a free trade zone or in a special economic zone.

Explanation: For the purposes of this section, the expressions “hundred per cent export oriented undertaking”, “free trade zone” and “special economic zone” shall have the meanings assigned to them in Explanation 2 to sub-section (1) of section 3 of Central Excise Act, 1944.

3. The duty chargeable under this section shall be in addition to any other duty imposed under this Act or under any other law for the time being in force.

4. The duty imposed under this section shall, unless revoked earlier, cease to have effect on the expiry of four years from the date of such imposition:

Provided that if the Central Government is of the opinion that the domestic industry has taken measures to adjust to such injury or threat thereof and it is necessary that the safeguard duty should continue to be imposed, it may extend the period of such imposition:

Provided further that in no case the safeguard duty shall continue to be imposed beyond a period of ten years from the date on which such duty was first imposed.

5. The Central Government may, by notification in the Official Gazette, make rules for the purposes of this section, and without prejudice to the generality of the foregoing, such rules may provide for the manner in which articles liable for safeguard duty may be identified and for the manner in which the causes of serious injury or causes of threat of serious injury in relation to such articles may be determined and for the assessment and collection of such safeguard duty.
6. For the purposes of this section,
- a. “developing country” means a country notified by the Central Government in the Official Gazette for the purposes of this section;
 - b. “domestic industry” means the producers
 - i. as a whole of the like article or a directly competitive article in India ; or
 - ii. whose collective output of the like article or a directly competitive article in India constitutes a major share of the total production of the said article in India ;
 - c. “serious injury” means an injury causing significant overall impairment in the position of a domestic industry;
 - d. “threat of serious injury” means a clear and imminent danger of serious injury.
7. Every notification issued under this section shall, as soon as may be after it is issued, be laid before each House of Parliament.

Transitional Safeguard Provisions under the Customs Tariff Act, 1975 (Section 8C)

Section 8C - Power of Central Government to impose transitional product specific safeguard duty on imports from the People’s Republic of China –

1. Notwithstanding anything contained in Section 8B, if the Central Government, after conducting such enquiry as it deems fit, is satisfied that any article is imported into India, from the People’s Republic of China, in such increased quantities and under such conditions so as to cause or threatening to cause market disruption to domestic industry, then, it may, by notification in the Official Gazette, impose a safeguard duty on that article:

Provided that the Central Government may, by notification in the Official Gazette, exempt such quantity of any article as it may specify in the notification, when imported from People’s Republic of China into India , from payment of the whole or part of the safeguard duty leviable thereon.

2. The Central Government may, pending the determination under sub-section (1), impose a provisional safeguard duty under this sub-section on the basis of a preliminary determination that increased imports have caused or threatened to cause market disruption to a domestic industry.

Provided that where, on final determination, the Central Government is of the opinion that increased imports have not caused or threatened to cause market disruption to a domestic industry, it shall refund the duty so collected.

Provided further that the provisional safeguard duty shall not remain in force for more than two hundred days from the date on which it was imposed.

3. Notwithstanding anything contained in sub-section (1) and (2), a notification issued under sub-section (1) or any safeguard duty import under Sub-section (2), unless specifically made applicable in such notification or such imposition, as the case may be, shall not apply to articles imported by a hundred per cent export-oriented undertaking or a unit in a free trade zone or in a special economic zone.

Explanation - For the purposes of this section, the expressions “hundred percent export-oriented undertaking”, “free trade zone” and “special economic zone” shall have the meanings respectively assigned to them in Explanation 2 to sub-section (1) of Section 3 of the Central Excise Act, 1944 (1 of 1944).

4. The duty chargeable under the section shall be in addition to any other duty imposed under this Act or under any other law for the time being in force.
5. The duty imposed under this section shall, unless revoked earlier, cease to have effect on the expiry of four years from the date of such impositions.

Provided that if the Central Government is of the opinion that such articles continues to be imported into India, from People’s Republic of China, in such increased quantities so as to cause or threatening to cause market disruption to domestic industry and the safeguard duty should continue to be imposed. It may extend the period of such imposition for a period not beyond the period of ten years from the date on which the safeguard duty was first imposed.

6. The Central Government may, by notification in the Official Gazette, make rules for the purposes of this section, and without prejudice to the generality of the foregoing, such rules may provide for the manner in which articles liable for safeguard duty may be identified and for the manner in which the causes of market disruption or causes of threat of market disruption in relation to such article may be determined and for the assessment and collection of such safeguard duty.
7. For the purposes of this section:
 - a. “domestic industry” means the producers-
 - i. as a whole of a like article or a directly competitive article;

- ii. whose collective output of a like article or a directly competitive article to India constitutes a major share of the total produced of the total production of the said article in India
 - b. “market disruption” shall be caused whenever imports of a like article or a directly competitive article produced by the domestic industry, increase rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.
 - c. “threat of market disruption” means a clear and imminent danger of market disruption.
8. Every notification issued under this section shall, as soon as maybe after it is issued, be laid before each House of Parliament.

Customs Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002

Notification No. 34/2002-NT-Customs dated 11.06.2002

In exercise of the powers conferred by sub-section (6) of section 8C of the Customs Tariff Act, 1975 (51 of 1975) the Central Government hereby makes the following rules, namely.

1. Short Title and Commencement

- i. These rules may be called the Customs Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002.
- ii. They shall come into force on the date of their publication in the Official gazette.

2. Definitions

In these rules, unless the context otherwise requires:

- a. “Act” means the Customs Tariff Act, 1975 (51 of 1975);
- b. “Critical circumstances” means circumstances in which there is clear evidence that imports have taken place in such increased quantities and under such circumstances as to cause or threaten to cause market disruption to the domestic industry and delay in imposition of provisional safeguard duty would cause irreparable damage to the domestic industry;
- c. “Increased quantity” includes increase in imports whether in absolute terms or relative to domestic production;
- d. “Interested Party” includes
 - i. any exporter or foreign producer or the importer of an article subjected to investigation for purposes of imposition of safeguard duty under section 8C of the Act or a trade or business association, majority of the members of which are producers, exporters or importers of such an article;
 - ii. the government of the People’s Republic of China; and

- iii. a producer of the like article or directly competitive article in India or a trade or business association, a majority of members of which produce or trade the like article or directly competitive article in India;
- e. “like article” means an article which is identical or alike in all respects to the article under investigation under section 8C of the Act;
- f. “Provisional Duty” means a safeguard duty imposed under sub section (2) of section 8C of the Act;
- g. all words and expressions used and not defined in these rules shall have the meanings respectively assigned to them in the Act;

3. Appointment of Director General (Specific Safeguard)

- 0. The Central Government may, by notification in the official Gazette, appoint an officer not below the rank of a Joint Secretary to the Government of India or such other officer as it may think fit as the Director General (Specific Safeguard) hereinafter referred to as the Director General for the purposes of these rules.
- 1. The Central Government may provide to the Director General the services of such other persons and such other facilities as it deems fit.

4. Duties of the Director General

Subject to the provisions of these rules, it shall be the duty of the Directory General

- 0. to investigate the existence of “market disruption” or “threat of market disruption” to domestic industry as a consequence of increased import of an article into India;
- 1. to identify the article liable for safeguard duty under section 8C of the Act;
- 2. to submit his findings, provisional or otherwise to the Central Government as to the existence of “market disruption” or “threat of market disruption” to the domestic industry consequent upon increased import of an article from the People’s Republic of China.
- 3. to recommend,
 - i. the amount of duty which if levied would be adequate to remove the “market disruption” or “threat of market disruption” to the domestic industry;
 - ii. the duration of levy of safeguard duty under section 8C of the Act.
- 4. to review the need for continuance of such safeguard duty.

5. Initiation of Investigation

- 0. Except as provided in sub-rule (4), the Director General shall, on receipt of a written application by or on behalf of the domestic producer of like article or directly competitive article, initiate an investigation to determine the existence of “market disruption” or “threat of market disruption” to the domestic industry, caused by the import of an article in such increased quantities, absolute or relative to domestic production.

1. An application under sub-rule (1) shall be in the form as may be specified by the Director General in this behalf and such application shall be supported by evidence of
 - i. increased imports;
 - ii. “market disruption” or “threat of market disruption” to the domestic industry; and
 - iii. a causal link between imports and the alleged “market disruption” or “threat of market disruption
2. The Director General shall not initiate an investigation pursuant to an application made under sub-rule (1) unless he examines the accuracy and adequacy of the evidence provided in the application and satisfies himself that there is sufficient evidence regarding -
 - a. increased imports;
 - b. “market disruption” or “threat of market disruption”; and
 - c. a causal link between increased imports and “alleged market disruption” or “threat of market disruption”
3. Notwithstanding anything contained in sub-rule (1), the Director General may initiate an investigation *suo motu* if he is satisfied with the information received from any Commissioner of Customs appointed under the Customs Act, 1962 (52 of 1962) or any other source that sufficient evidence exists as referred to in clause (a), clause (b) and clause (c) of sub-rule (3).

6. Principles Governing Investigations

0. The Director General shall, after he has decided to initiate investigation to determine the “market disruption” or “threat of market disruption” to domestic industry, consequent upon the increased import of an article into India, issue a public notice notifying his decision thereto. The public notice shall, *inter alia*, contain adequate information on the following, namely:
 - . the article involved;
 - i. the date of initiation of the investigation;
 - ii. a summary statement of the facts on which the allegation of “market disruption” or “threat of market disruption” is based;
 - iii. reasons for initiation of investigation.
 - iv. the address to which representations by interested parties should be directed; and
 - v. the time-limits allowed to interested parties for making their views known.
1. A copy of the public notice shall be forwarded by the Director General to the Central Government in the Ministry dealing with Commerce and other Ministries concerned, known exporters of the article the increased import of which has been alleged to cause or threaten to cause “market disruption” to the domestic industry, the government of the People’s Republic of China and other interested parties.
2. The Director General shall also provide a copy of the application referred to in sub-rule (1) of rule 5 to:

- . the known exporters, or the concerned trade association,
- i. the government of the People’s Republic of China, and
- ii. the Central Government in the Ministry dealing with Commerce:

Provided that the Director General shall also make available a copy of the application, upon request in writing, to any other contested party.

3. The Director General may issue a notice calling for any information in such form as may be specified by him from the exporters, foreign producers and government of the People’s Republic of China and such information shall be furnished by them in writing within thirty days from the date of receipt of the notice or within such extended period as the Director General may allow on sufficient cause being shown.

Explanation: For the purpose of this rule the public notice and other documents shall be deemed to have been received one week after the date on which these documents were sent by the Director General by registered post or transmitted to the appropriate diplomatic representative of the People’s Republic of China.

4. The Director General shall also provide opportunity to the industrial user of the article under investigation, and to representative consumer organisations in cases where the article is commonly sold at retail level to furnish information which is relevant to the investigation.
5. The Director General may allow an interested party or its representative to present the information relevant to investigation orally but such oral information shall be taken into consideration by the Director General only when it is subsequently submitted in writing.
6. The Director General shall make available the evidence presented to him by one interested party to the other interested parties, participating in the investigation.
7. In case where an interested party refuses access to or otherwise does not provide necessary information within a reasonable period or significantly impedes the investigation, the Director General may record his findings on the basis of the facts available to him and make such recommendations to the Central Government as he deems fit under such circumstances.

7. Confidential Information

0. Notwithstanding anything contained in sub-rules (1), (3) and (7) of rule 6, sub-rule (2) of rule 9 and sub-rule (5) of rule 11, any information which is by nature confidential or which is provided on a confidential basis shall, upon cause being shown, be treated as such by the Director General and shall not be disclosed without specific authorisation of the party providing such information.
1. The Director General may require the parties providing information on confidential basis to furnish non-confidential summary thereof and if, in the opinion of the party providing such information, such information cannot be summarised, such party may submit to the Director General a statement of reasons why summarisation is not possible.

2. Notwithstanding anything contained in sub-rule (2), if the Director General is satisfied that the request for confidentiality is not warranted or the supplier of the information is unwilling either to make the information public or to authorise its disclosure in a generalized or summary form, he may disregard such information unless it is demonstrated to his satisfaction from appropriate sources that such information is correct.

8. **Determination of "Market Disruption" or "Threat of Market Disruption"**

The Director General shall determine "market disruption" or "threat of market disruption" to the domestic industry taking into account; *inter alia*, the principles laid down in Annexure to these rules.

9. **Preliminary Findings**

0. The Director General shall proceed expeditiously with the conduct of the investigation and in critical circumstances, he may record a preliminary findings regarding "market disruption" or "threat of market disruption".
 1. The Director General shall issue a public notice regarding his preliminary findings.
 2. The Director General shall send a copy of the public notice to the Central Government in the Ministry dealing with Commerce and in the Ministry dealing with Finance.

10. **Levy of Provisional Duty**

The Central Government may in accordance with the provisions of sub-section (2) of section 8C of the Act, impose a provisional duty on the basis of the preliminary findings of the Director General:

Provided that such duty shall remain in force only for a period not exceeding two hundred days from the date on which it was imposed.

11. **Final Findings**

0. The Director General shall, within 8 months from the date of initiation of the investigation or within such extended period as the Central Government may allow, determine whether, -
 - . the increased imports of the article under investigation under section 8C of the Act has caused or threatened to cause "market disruption" to the domestic industry; and
 - a. a causal link exists between the increased imports and "market disruption" or "threat of market disruption".
1. The Director General shall also give his recommendation regarding the amount of duty which, if levied, would be adequate to prevent or remedy "market disruption".
2. The Director General shall also make his recommendations regarding the duration of levy of duty:

3. The final findings, if affirmative, shall contain all information on the matter of facts and law and reasons which have led to the conclusion.
4. The Director General shall issue a public notice recording his final findings.
5. The Director General shall send a copy of the public notice regarding his final findings to the Central Government in the Ministry dealing with Commerce and in the Ministry dealing with Finance.

12. Levy of Duty

0. The Central Government may impose, by a notification in the Official Gazette, upon importation into India of the article covered under the final findings, a safeguard duty under section 8C of the Act not exceeding the amount which has been found adequate to prevent or remedy “market disruption”.
1. If the final finding of the Director General is negative, that is contrary to the *prima facie* evidence on the basis of which the investigation under section 8C of the Act was initiated, the Central Government shall within thirty days of the publication of final findings by the Director General under rule 11, withdraw the provisional duty, if any, imposed under sub-section (2) of section 8C of the Act.

13. Imposition of Duty on Non-discriminatory Basis

Any safeguard duty under section SC of the Act imposed under rule 10 or rule 12 shall be on a non-discriminatory basis and applicable to all imports of such article from the People’s Republic of China.

14. Date of Commencement of Duty

0. The safeguard duty levied under rule 10 or rule 12 shall take effect from the date of publication of the notification in the Official Gazette imposing such duty.
1. Notwithstanding anything contained in sub-rule (1), where a provisional duty under sub-section (2) of section SC of the Act has been levied and where the Director General has recorded a finding that increased imports have caused or threaten to cause “market disruption” to domestic industry, it shall be specified in the notification under sub-rule (1) that such safeguard duty shall take effect from the date of levy of the provisional duty.

15. Refund of Duty

If the safeguard duty imposed after conclusion of the investigation under section 8C of the Act is lower than the provisional duty under sub-section (2) of that section already imposed and collected, the differential shall be refunded to the importer.

16. Duration

0. The duty levied under rule 12 shall be only for such period of time as may be necessary to prevent or remedy “market disruption”.
1. Notwithstanding anything contained in sub-rule (1) of this rule, the duty levied under rule 12 shall, unless revoked earlier, cease to have effect on the expiry of four years from the date of its imposition:

Provided that if the Central Government is of the opinion that the article on which such safeguard duty is imposed continues to be imposed into India, from People's Republic of China, in such increased quantities so as to cause or threatening to cause "market disruption" to domestic industry and the safeguard duty should continue to be imposed, it may extend the period of such imposition;

Provided further that in no case such safeguard duty shall continue to be imposed beyond a period of ten years from the date on which such duty was first imposed.

17. Review

0. The Director General shall, from time to time, review the need for continued imposition of the safeguard duty imported under section 8C of the Act and shall, if he is satisfied on the basis of information received by him that:
 - . such safeguard duty is necessary to prevent or remedy "market disruption", recommend to the Central Government for the continued imposition of that duty;
 - i. there is no justification for the continued imposition of such safeguard duty, recommend to the Central Government for its withdrawal:

Provided that where the period of imposition of such safeguard duty exceeds three years, the Director General shall review the situation not later than the mid-term of such imposition, and, if appropriate, recommend for withdrawal of such safeguard duty or for the variation of that duty.

1. Any review initiated under sub-rule (1) shall be concluded within a period not exceeding 8 months from the date of initiation of such review or within such extended period as the Central Government may allow.
2. The provisions of rules 5,6,7 and 11 shall, *mutatis mutandis*, apply in the case of review.

Annexure (See Rule 8)

1. In the investigation to determine whether increased imports have caused or are threatening to cause "market disruption" to a domestic industry, the Director General shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of that industry, in particular, the rate and amount of the increase in imports of the article concerned in absolute and relative terms, the share of the domestic market taken by increased imports, changes in the level of sales, production, productivity, capacity utilization, profits and losses and employment.
2. The determination referred to in paragraph (1) shall not be made unless the investigation demonstrates, on the basis of objective evidence, the existence of the causal link between increased imports of the article concerned and "market disruption" or threat thereof. When factors other than increased imports are causing market disruption" to the domestic industry at the same time, such "market disruption" shall not be attributed to increased imports. In such case, the Director General may refer the complaint to the authority for anti-dumping or countervailing duty investigations, as appropriate.