

WORLD TRADE ORGANIZATION

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Committee on Safeguards

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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, dated 21 June, has been received from the Permanent Mission of India.

Attached herewith is a copy of the Notice of Initiation of a Safeguard Investigation (No. SG/INV/1/99 dated 16 June 1999) by the Director General (Safeguards) concerning imports of "Acetone" into India.

**OFFICE OF THE DIRECTOR GENERAL (SAFEGUARDS)
5th FLOOR, DRUM SHAPE BUILDING, I.P. BHAWAN
I.P. ESTATE, NEW DELHI**

NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

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

F. No. SG/INV/1/99
New Delhi
16 June 1999

Initiation of Safeguard Investigation Concerning Imports of Acetone 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 Hindustan Organic Chemicals Ltd. (HOC) and Herdillia Chemicals Ltd. (HCL) for imposition of safeguard duty on imports of Acetone into India to protect the domestic producers of Acetone against serious injury caused by the increased imports of Acetone into India.
2. Domestic industry. The application has been filed by Hindustan Organic Chemicals Ltd. (HOC) and Herdillia Chemicals Ltd. (HCL) on behalf of the domestic producers of Acetone for imposition of safeguard duty on imports of Acetone. There are eight domestic producers of Acetone accounting for a total production of 42,618 MT of Acetone in 1998-99, out of which the applicants produced 41,222 MT 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 Acetone into India. Acetone classified under sub-heading No. 2914.11 of the First Schedule to the Customs Tariff Act, 1975 and under 29141100 of the Indian Trade Classification (ITC) is a basic organic chemical with chemical formula CH_3COCH_3 . The applicants produce Acetone by the oxidation of Cumene using air at elevated temperatures and pressures. Cumene is produced by the reaction between Propylene and Benzene. Acetone is also manufactured through Isopropyl Alcohol and Alcohol-based routes. Acetone is used in numerous organic syntheses, either as an intermediate or as a solvent. The chemicals manufactured from Acetone include Isophorone, Diacetone Alcohol, Methyl Methacrylate and Bisphenol-A, certain Rubber Chemicals, Oxyacetylene and Cellulose Acetate. Acetone is also used as a solvent in the manufacture of Paints/Coatings.
4. Increased imports. Acetone is imported into India from Canada, China, Chinese Taipei, France, Finland, Germany, Japan, Korea DPR, Korea Rep. of, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, 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 Acetone during 1994-95 to 1998-99 have been as under:

Year	Domestic production MT	Imports MT	Imports as a percentage of domestic production
1994-95	42,732	9,046	21.17
1995-96	49,556	18,519	37.37
1996-97	39,284	26,228	66.77
1997-98	44,261	16,866	38.11
1998-99	42,618	28,870	67.74

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

- (a) Production. The domestic production which increased from 39,284 MT in 1996-97 to 44,261 MT in 1997-98 has declined to 42,618 MT in 1998-99.
- (b) Capacity utilization. The capacity utilization of domestic producers which increased from 56 per cent in 1996-97 to 61 per cent in 1997-98 has declined to 57 per cent in 1998-99.
- (c) Share of domestic producers in domestic consumption. The market share of domestic producers of Acetone in the total domestic consumption of Acetone, which was about 68 per cent in 1996-97 and 1997-98 has declined to 59.21 per cent in 1998-99 as indicated from the table below. The domestic producers have been able to retain this reduced market share only at the cost of reduction of their sales price from Re 28 per kg. in March 1998, to Re 18 per kg. in March 1999, i.e. a decline of about 36 per cent in the sale price which has seriously affected their profitability.

Year	Domestic sales (including captive consumption)	Total domestic consumption including imports	Share of domestic production in domestic consumption (2/3 x 100%)
1	2	3	4
1996-97	39,881	58,664	67.98
1997-98	43,601	64,882	67.20
1998-99	43,329	73,173	59.21

6. The domestic producers have requested the imposition of safeguard duty on imports of Acetone. They have also requested for an immediate imposition of provisional safeguard duty.

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

8. All interested parties may make their views known by 26 July 1999 to:

The Director General (Safeguards)
5th Floor, Drum Shape Building
I.P. Bhawan, I.P. Estate
New Delhi – 110 002
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 representation so as to reach the Director General (Safeguards) within 21 days from the date of this notice.

(Signed)
(R.K. Gupta)
Director General (Safeguards)
