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Comments on the Draft National Steel Policy -- Vision 2047

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The draft National Steel Policy 2026 sets the right goals for the steel industry: a globally competitive industry, affordable steel for downstream users, and exports of 45 million tonnes (MT) by 2047. However, its trade instruments work against those goals. Quality Control Orders (QCOs), safeguard and anti-dumping duties, and an explicit aim to discourage cheaper imports keep Indian steel prices above those of China and even high-cost Japan.

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1 Executive Summary

The draft National Steel Policy 2026 sets the right goals for the steel industry: a globally competitive industry, affordable steel for downstream users, and exports of 45 million tonnes (MT) by 2047. However, its trade instruments work against those goals. Quality Control Orders (QCOs), safeguard and anti-dumping duties, and an explicit aim to discourage cheaper imports keep Indian steel prices above those of China and even high-cost Japan.

Steel is an input to most of the economy. The policy should be judged by the price and availability of steel to the industries that use it, chiefly construction and automobiles, which employ many times more people than steelmaking does.[1]

This proposal recommends rolling back steel Quality Control Orders (QCOs), removing the requirement for duplicate input Bureau of Indian Standards (BIS) certification, lapsing the safeguard duty in April 2028, and subjecting every trade remedy to a downstream-impact test. The draft recommendations also show an arithmetic gap between the export target and the capacity projection.

2 Context

India is the world's second-largest steel producer, contributing to 8.9 per cent of global crude output. India's per capita consumption is low compared to the global average as India's consumption is at 116 kg against a global average of 209 kg[2] in a year, so domestic demand has ample room to grow. In FY 2025-26, India became a marginal net exporter of finished steel, with exports of 6.6 MT against imports of 6.5 MT.[2]

The external environment is tightening. The US levies a 50 per cent tariff on steel[3], and the EU and UK have moved to country-specific quotas and higher tariffs for imports over the quota. In this setting, Indian exports will depend almost entirely on price competitiveness.

The draft recognises these global export challenges in its objectives but not in its instruments. Paragraph 4.4.4 calls for improving cost competitiveness, yet the trade chapter is built around import monitoring, trade remedies and QCOs. Paragraph 7.4.4 goes further and proposes to discourage "cheaper and sub-standard" imports, treating cheap and sub-standard as the same thing, which should not be the case.

3 Prices and protection

Indian steel costs more than its competitors' steel, even though it costs less to make. Indian hot-rolled coil is about 6 per cent more expensive than Japan's, while per-tonne production costs

at India's largest private producer are 20–40 per cent below those of Japan's largest.[4] NITI Aayog's High-Level Committee on Non-Financial Regulatory Reforms found Indian prices 15–30 per cent above Chinese levels, largely because of input duties and QCO-linked sourcing rigidity.[5]

The lack of export competitiveness is due to policy measures in place, and the new Steel Policy's protectionist stance can worsen this situation. The protectionism occurs now in different layers:

- a 7.5 per cent basic customs duty on most steel products, against roughly 4.5 per cent in China and under 1 per cent in Japan and South Korea;[6]
- a safeguard duty on flat products of 11.5 per cent this year, tapering to 11 per cent until April 2028;[7]
- anti-dumping duties, with a new investigation into hot-rolled imports from China, Japan and Russia opened in June 2026;[8]
- QCOs, which by September 2026 covered 228 steel products, 59 of them suspended;[9]
- the "melt and pour" rule, which confines government procurement to domestically melted steel.[10] The result is low exports and higher domestic earnings. Steel firms' EBITDA margins averaged 15 per cent between 1988 and 2024, against 11.5 per cent for the rest of manufacturing.[11] When domestic realisations are high, exports become the low-margin residual. It is telling that the draft's own paragraph 10.5 records exports falling from 10.78 MT in FY21 to 6.6 MT in FY26, a period of rising protection.[12] An import tariff, in effect, also taxes exports, as is well understood in economics.

4 Quality Control Orders (QCOs) and non-tariff measures

Non-tariff measures are used more widely than tariffs do, and they affect steel users more. The government has internally accepted this fact. In November 2025, the Ministry of Steel revoked the No Objection Certificate requirement for grades outside the QCO[13] and suspended QCOs on 55 products[14], following the NITI committee's recommendations. This is a welcome move. The draft, however, points the other way: paragraph 2.3.4 proposes a standardisation cell staffed with industry members to identify imported grades for inclusion, and outreach to raise awareness of QCOs.

Three problems remain.

- **QCOs fall mostly on inputs, not finished goods:** They cover hot-rolled and cold-rolled coil, wire rod, ferro-alloys and other intermediates used by auto, engineering and appliance makers. India is import-dependent for high-grade flat, tool and electrical steels[15], and the draft itself (paragraph 4.3.4) concedes that specialised grades are not adequately

produced at home. Restricting these imports constrains downstream growth rather than building domestic capacity. Nor have QCOs done much to cut import dependence: in 2025, products under QCOs made up only about 30 per cent of steel imports.[16]

- **Certification is duplicated along the chain:** Imports are allowed only from Bureau of Indian Standards (BIS) - licensed foreign mills, certified at factory and grade level. Semi-finished inputs such as slabs, billets and ingots must separately conform to Indian Standards even when the finished product is already certified. Many high-performance grades, such as high-tensile automotive sheet, electrical steel and speciality alloys, have no equivalent foreign BIS standard to certify against.
- **India is out of sync with its competitors on this standard front:** The EU has no compulsory standard certification for generic steel. It recommends that conformity rests with the buyer through self-declaration or third-party testing, and CE marking applies only to construction products. On contrast, the US relies on contractual ASTM standards, and Japan's JIS mark is voluntary. However, India requires mandatory BIS marking for its steel products, sometimes even for inputs. India could adopt a similar approach as the EU or Japan, where mandatory certification is mandatory only for safety-critical products, with mill test certificates and ILAC-accredited laboratory reports accepted for everything else.

5 Second-order effects in construction and automobiles

Steel users pay for steelmakers' protection, and they employ far more people. The draft policy puts direct employment in steel at about 6 lakh.[2]

Sector	Employment	Share of steel use
Steel (direct)	6 lakh	—
Automobiles	42 lakh direct; 2.65 crore indirect[17]	Part of 28 per cent (with engineering, appliances, packaging)
Construction	7.47 crore (2022-23) [18]	67 per cent (with infrastructure)

Construction and infrastructure take two-thirds of India's steel. Steel is estimated at around 15 per cent of construction project costs[19], so the duty-inflated price floor matters most here. The

government is the dominant buyer of infrastructure steel and, under "melt and pour", cannot import. Steel protection is therefore partly a tax on public capital expenditure: every kilometre of highway or metro costs more.

Auto-grade interstitial-free and high-strength low-alloy steels are covered by QCOs, and many are not made in India. Steel is a modest share of a carmaker's direct raw-material bill, but it is embedded in castings, forgings, stampings and fasteners bought from component makers, most of them MSMEs. Auto exports grew 24 per cent in 2025 to about 63 lakh units [20]; input costs decide whether that continues. When the safeguard duty was finalised, the Director General of Trade Remedies (DGTR) rejected submissions from over 250 stakeholders, including major automakers.[13]

MSMEs bear the most. The top three firms account for 35–40% of steel sales[21] and can absorb or negotiate input costs; small users cannot easily bear certification costs, approvals and higher prices. The steel industry's commitment to supply MSMEs at export-parity prices[22] has not resolved this: in October 2026, MSMEs in Coimbatore were still seeking relief from import and safeguard duties.[23] Secondary steel producers are also MSMEs, but the draft counts about 2,550 such units[24], a small fraction of the steel-using enterprises in fabrication, engineering and auto components.

6 International Evidence

The US has run similar experiments three times in the steel sector. In 2002, safeguard duties were increased from 8 to 30 per cent. This led to a 60 to 80 per cent hike in the prices of hot-rolled, cold-rolled and galvanised sheet[25]. Again in 2018, under Section 232, the US introduced a 25 per cent tariff on steel articles. While it cut the imports by 24 per cent from 2018 to 2021, the average US steel price rose by 2.4 per cent. Related industries that use steel products were hit hardest, with industrial machinery, cutlery and hand tools, steering, suspension and brake components, construction and mining machinery, and fabricated metal products seeing output fall by up to nearly 3 per cent.[26] Federal Reserve Board economic studies found that, across manufacturing, the small employment gain from protection was outweighed by higher input costs and foreign retaliation.[^18] Since the tariff rose to 50 per cent in 2025 for steel in the US, the producer price index for steel mill products has risen 13.3 per cent in a year, with no visible rise in manufacturing jobs.[27] Every major round of US steel protection has raised the price of steel at home. India's situation differs, since it imports little finished steel. But the channel is the same: a duty raises the price ceiling for every tonne sold at home, not only for imported tonnes.

7 Other issues

- The iron ore export duty is a hidden transfer. A 30 per cent export duty on ore above 58 per cent iron keeps domestic ore prices 30–40 per cent below world levels.[28] Since most ore is mined by public-sector firms and most steel is made privately, this moves value from the public to the private sector. Paragraph 5.2.4 would deepen it. The duty should be phased out, alongside reforms that let explorers monetise their discoveries.[29]
- Public procurement should be material-neutral. Paragraph 2.1.5 asks the Ministry to position steel as "the material of choice" through life-cycle costing in procurement and preferential BIS design standards. Engineers, not a sectoral ministry, should choose materials for public works.
- Treat 604 MT capacity building in the draft as a projection, not a target. Otherwise, it might create unintended consequences, such as building capacity ahead of demand, which in turn will require more protection because the market will be oversupplied. A capacity figure should say what demand might need as a projection, not set a goal for the industry to build toward.
- The multiple mandates that the Ministry of Steel has to be a promoter and a gatekeeper is challenging. Some of its mandates conflict: it has to promote the steel industry, staff its own standards cell with industry members, and decide which imports must clear its checks. Steel users, who pay for those decisions, have no formal seat on any of these bodies.

8 Policy Recommendations

- Complete the QCO rollback. Some of the QCOs have been rolling back since 2025. The NITI committee recommendation is to keep mandatory standard certification where a failure can have serious security damage, especially with respect to construction steel, pressure vessels and pipes, and drop it for the inputs and intermediates that feed other industries. By September 2026, only 59 of the 228 covered steel products had been suspended, so most of the burden remains. It's also important to give every remaining QCO a sunset clause and a published regulatory impact assessment that counts costs to users.
- Since June 2025, a mill that already holds a BIS permit for finished hot-rolled coil also needs a separate permit for the slab it was made from. That adds paperwork and time without adding any assurance, because the finished product is already certified. Slabs, billets and ingots should not need their own certification once the finished product has it. India should also accept mill test certificates and reports from ILAC-accredited laboratories, as the EU does, where conformity is handled between buyer and seller

through self-declaration or third-party testing. At present, BIS recognises only its own labs, and in some cases foreign testing takes months for approval.

- The safeguard duty already tapers from 12 per cent to 11.5 per cent, then to 11 per cent, and it is announced to end in April 2028. This is a great aspect, as it gives industry time to adjust. The policy should confirm that date and not leave it open for extension. A duty that applies to every tonne of imported flat steel also lifts the price of every tonne sold at home, which is why steel users bear much of the cost.
- The draft says trade measures should be "proportionate", but it offers no way to check. No QCO, safeguard or anti-dumping measure should go ahead without an assessment of its effect on the industries that buy steel and on their employment. Construction and automobile makers, which take most of India's steel, should be heard as formal parties. A standing requirement to assess and hear users would make sure their costs are weighed before a measure is imposed, not after.
- Set a tariff roadmap. Bring basic customs duty on steel to ASEAN levels over five to ten years. Keep raw-material duties minimal and make the ferrous scrap exemption permanent.
- Extend duty-free, QCO-exempt inputs to mixed producers. Firms that serve both domestic and export markets should get the input relief now available only to pure exporters.
- Phase out the iron ore export duty, and reform exploration.
- Make procurement material-neutral and review the "melt and pour" rule for infrastructure projects.
- Give steel users seats on the Ministry's standardisation cell and any body that advises on trade measures.

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