

India: Rubber industry asks centre to do away with inverted duty structure

In order to save the domestic manufacturing sector, the rubber industry has asked the government to do away with the inverted duty structure.

The import duty on raw materials, used by the rubber industry, is several times higher than that on the finished products.

While import duties on raw materials range from 20 to 70 per cent, most of the imported finished products attract duties at around 10 per cent.

All India Rubber Industries Association (AIRIA), in its submission, has asked for reduction in the customs duty on natural rubber from 20 per cent or Rs 20 per kg to 7.5 per cent or Rs 10 per kg, whichever is lower. Presently, the international price of Rs 160 per kg, the import duty of Rs 20 (that works out to around 12.5 per cent and higher than the import duty on finished rubber products), leads to inverted duty structure.

AIRIA has also asked for waiver of customs duty on raw materials, not manufactured domestically, such as butyl rubber and different types of synthetic rubber. The rubber industries body estimates show that the demand-supply gap in natural rubber will go over 1.5 lakh tonnes in the next fiscal. Hence, it has asked for allowing duty free import of one lakh tonne of natural rubber, to bridge the demand-supply gap. Permission for rubber import under Asean FTA on reduced customs duty in line with concessional tariff on finished products also has been sought.

“In view of high rate of import duty on most of the raw materials ranging from 20 per cent to 70 per cent, the cost of finished goods made from such imported raw materials is higher than the landed cost of such imported finished goods. This leads to unwarranted imports of finished goods from neighbouring countries, causing injury to domestic producers”, said Niraj Thakkar, president AIRIA.

Further, levy of anti-dumping duties on raw materials, such as carbon black and rubber chemicals, has made the Indian rubber products more expensive in comparison to imported finished products.

According to AIRIA, the surge of cheap imported rubber products from China and other countries has emerged an area of concern for the domestic rubber industry. With over 35,000 rubber products being imported into the market, it is difficult to prove the dumping charges and most of the manufacturers being small, do not have the resources to initiate the anti-dumping proceedings, as per the law.

Vulcanised rubber mats, gaskets and inflatable articles, pneumatic tyres, radial tyres, tubes, pipes and hoses of vulcanised rubber, surgical gloves, mittens and mitts are among the 35,000 articles being imported into the country.

According to data from ministry of commerce, the import of gloves, rubber mittens and mitts from China has increased 114 per cent in 2010-11 against 2009-10, and the imports from Malaysia shot up by 168 per cent. China’s export of inner tubes of rubber to India grew 37 per cent, and Vietnam’s 653 per cent. The import of pneumatic tyres from China has grown 34 per cent, Japan 132 per cent and Korea 126 per cent. Shipment of tubes, pipes and hoses from China grew 167 per cent during the period.

China had recently reduced the import duty on natural rubber and as per the current international prices, the new duty will work out to be five per cent.