

Vietnam: Rubber producers face losses ‘due to export tax’

HA NOI — Domestic latex and compound rubber producers said they were making losses and on the brink of shutting down their facilities after being hit hard by a hefty 3 per cent export tax. The export price for Vietnamese-made latex and compound rubber was usually US\$100-200 a tonne lower than rubber from Malaysia, Indonesia, and Thailand. However, with the 3 per cent export tax levied on the shipments, Vietnamese rubber prices increase by at least \$80 a tonne, making Vietnamese rubber lose its competitive edge in overseas markets.

The Ministry of Finance decided to raise the export tax on natural and compound rubbers from zero to 3 per cent as of December 8, 2011. The duty was imposed in a bid to “encourage the domestic rubber manufacturing sector, rather than focusing only on exporting natural rubber,” the ministry said. The tax rate was considered reasonable last year when rubber export prices peaked at \$6,000 a tonne, allowing rubber exporters to initially enjoy profits despite the 3 per cent tax. However, exporters said they suffered big losses this year as rubber prices fell to only \$2,700 a tonne. Nguyen Quang Hop, a representative for Hung Thinh Rubber Co, told Tuoi Tre (Youth) newspaper that rubber producers will suffer losses if they continue production and sell the products at old prices to clients. He said new machinery worth \$400,000 that his company had imported from Sweden in late 2011 was now idle, as the 3 per cent export tax forced his company to shut down the facility. Le Ba Tho, a sales executive from the Tay Ninh Rubber Co, said his company has to switch to producing other rubber products to avoid the tax, although its export staple is latex, which accounts for 70 per cent of total production. Latex export turnover for his company thus dropped to only 30 – 40 per cent in the first half of this year, said Tho. However, he said, the new products have few markets, and his company has planned to return to latex production. Rubber producers said it was unreasonable that only compound and latex rubber were subject to the export tax while many other kinds of export rubber were not. Moreover, while 70 per cent of Vietnamese rubber, mainly unprocessed types, were exported to China, the Government should apply incentive policies for exports of latex and compound rubber to avoid the risk of depending too much on the Chinese market for latex and compound rubber exports, Hop said.