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INDIA RUBBER INDUSTRIES ASSOCIATION CALLS FOR IMPORT DUTY REDUCTION

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Thiruvananthapuram, India:

The All India Rubber Industries Association (AIRIA) has urged duty-free import of 2 lakh tonne of rubber to ease the dual crises of steep rise in prices and the acute shortage of natural rubber.

“The prices of finished rubber products cannot be hiked to cover the increase in rubber cost as the industry is just getting out of a severe recession. Moreover, many contracts are fixed price contracts, leaving no scope for price corrections”, says TK Mukherjee, president, AIRIA. AIRIA has asked for reducing the import duty on natural rubber from 20% to 10% and for charging of import duty on rubber on ad valorem basis rather than on percentage basis.

Indian rubber industry, with more than 90% in small or medium enterprises sector, has been severely hit, as natural rubber prices shot up from Rs 65 per kg in March 2009 to Rs 130 per kg in December 2009, an increase of 100 % in a short span of nine months. Domestic rubber production has been continuously falling short of consumption leading to its poor availability even during the ongoing peak rubber season. This, according to the ARIA officials, accelerates the price increase.

“Rubber units are not in a position to import natural rubber due to prohibitive import tariff of 20%. Serious anomaly of inverted duty structure with import of rubber at 20% and most finished products at 10% or lower duty is creating further complications for the industry” Mukherjee said. AIRIA claims that China has recently reduced the import duty on natural rubber by 20% on RSS 3 grade and 23% on crumb rubber while there is nil duty on rubber compound for import from South East Asian countries and 8% from other countries.

The Association has also asked for reviewing the functioning of commodity exchanges as hoarding and speculative activities are further escalating the spurt in prices. “Two million people directly or indirectly depend for their livelihood on the Indian rubber industry and to avoid large scale retrenchment, it is imperative that the government takes remedial action immediately.” Mukherjee added.