

FinMin to decide on hiking import duty on rubber

Our Bureaus

New Delhi/Chennai, Feb. 27

The import duty on natural rubber is likely to be hiked. The Commerce Ministry has recommended an increase in customs duty on rubber to protect the domestic growers' interests, official sources said.

The hike could range up to Rs 34 a kg, an increase of 70 per cent over the prevailing duty of Rs 20 a kg (or 20 per cent of the domestic price, whichever is lower).

The latest move follows a meeting that Commerce Minister Anand Sharma held with a group of United Democratic Front (UDF) MPs from Kerala on Tuesday on the intervention of the Prime Minister Manmohan Singh.

The Finance Ministry is expected to take a call on increasing the import duty over the next few days, sources said.

FORMULA APPROACH

The recommended import duty hike is based on a formula worked out on the average do-



mestic price of rubber over the last three years, said Jose K. Mani, Member of Parliament of the Kerala Congress (Mani).

According to the formula, the new import duty on natural rubber will be 20 per cent of the domestic price until the price reaches Rs 171 a kg, when the duty will be capped at Rs 34. The figure of Rs 171 was arrived at after taking the average of the domestic price over the past three years.

Since the current domestic

price of rubber is hovering around Rs 157 a kg, the duty to be imposed on every kg of imported natural rubber will be at Rs 31.40. If domestic prices go up, the duty would also go up - until the duty reaches Rs 34, where it would be capped.

Kerala accounts for 90 per cent of rubber produced in the country. Rubber prices have fallen by about a third to below Rs 160 a kg from early last year's Rs 230 a kg. This has triggered worries among the growers.

IMPORTS

The natural rubber is largely imported into the country by tyre makers. Natural rubber imports stood at 1.31 lakh tonnes (lt) during the first half of current fiscal. Unconfirmed reports peg the rubber imports at 2 lt till now. Last fiscal, a record 2.13 lt of rubber were imported.

Natural rubber accounts for about 60 per cent of raw material costs for the tyre industry. Vishwanath.kulkarni@thehindu.co.in

Tyre industry up in arms

Our Bureau

Kochi, Feb. 27

The tyre industry has opposed the Government's decision to increase the import duty on rubber, saying that it will have adverse consequences for the user industry.

Anant Goenka, Chairman of Automotive Tyre Manufacturers Association (ATMA), said in a statement issued here that the decision to restrict imports will have adverse consequences for the tyre industry and its long term impact will be felt on the entire value-chain of rubber sector.

The increase in duty on natural rubber will severely impact the industry at a time when the automobile sector is witnessing a negative growth in major vehicle categories, including commercial vehicles leading to demand slowdown in tyre industry as well.

Commercial vehicle tyres account for over 60 per cent of tyre industry turnover and is a major segment for rubber consumption, he said.

ATMA said that the import of rubber is inevitable in view of widening gap in domestic production and consumption.

Quoting Rubber Board data, the Association said that during the last fiscal, the gap between domestic production and consumption of rubber was over 60,000 tonnes.

During the current fiscal also, the production is likely to lag behind domestic consumption by 50,000 tonnes despite slowdown in the economy.

At current price of approx Rs 157/kg, the import duty of Rs 34 will work out to 21 per cent which is far higher than basic duty on tyres of 10 per cent and effective rate of duty of 8.6 per cent from countries such as China in view of trade agreements.

The increase in import duty has, therefore, accentuated the already prevailing inverted duty structure in the industry.

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