

## Pathway to create a globally competitive rubber manufacturing sector

India's rubber industry provides livelihood to thousands of small growers of natural rubber and also many unskilled labourers employed by millions of MSMEs in the rubber and allied products manufacturing sector. Government of India introduced National Rubber Policy 2019 with an objective to create a well-developed value-chain of environmentally sustainable and globally competitive rubber industry in the country.

Although India is the sixth largest producer of natural rubber, it is also the second largest consumer of rubber. Consequently, India meets around 40% of its natural rubber consumption through imports. Although natural rubber is the predominantly used raw material in the sector, recent years have also witnessed increase in usage of Synthetic Rubber(SR) and Reclaimed Rubber(RR). Rubber and rubber products are used in various sectors such as automotive manufacturing, surgical and industrial materials, packaging materials, construction and home furnishing, to name a few. Rubber is used in surgical or industrial glove, tubes, pipes and hoses, conveyor belts in industrial machines, automobile tyres, bicycle parts and in devices or products such as printers, ear plug, rubber bands, latex etc. Automotive sector is the major consumer of rubber, with a share of 68% in overall rubber demand.

India is not a traditionally export-oriented country in the natural rubber sector because of shortfall in domestic production vis a vis local consumption. Indian rubber producers resort to exports only if surplus stock is available after meeting local demand. However, the Rubber policy notes that India can tap the huge export potential for rubber products if the sector is supported with right policy intervention.

India exports rubber sheets, gaskets, rubber scraps, conveyer or transmission belts, floor covering mats, rubber contraceptives (Condoms), bicycle, tyres, tubes, butadiene rubber etc. India imports articles of vulcanized rubber, butadiene rubber, rubber sheets, tubes, pipes and hoses, isobutene-isoprene rubber and other varieties of rubber used in automobile. The top 12 rubber products exported by India can be seen from the following table. India's rubber exports grew at a CAGR of 2.3% between 2011-12 and 2019-20 to USD 3.16 billion compared to hardly 0.3% growth in overall merchandise exports during this period.

Top 12 rubber products exported by India (fig. in USD million)								
HS Code	Product Name	Description	2011-12			2019-20		
			Export	Import	Trade balance	Export	Import	Trade balance
40169990	Rubber Sheets	OTHERS ARTICLES OF VULCANISED RUBBER EXCL. MATS	146.44	197.38	-50.94	141.69	155.83	-14.14
40030000	Reclaim Rubber & Waste Pairings & Scrap	RECLAIMED RUBR IN PRMRY FORMS OR IN PLATES SHEETS	68.01	2.23	65.78	79.76	1.25	78.51
40101290	Conveyor, Transmission, V Belts	(CNVYR BLT/BLTNG)RENFRCD WTH TXTL MTRLS WHERE	63.86	11.92	51.94	74.12	14.17	59.95
40169100	Floor Covering & Mats	FLOOR COVERINGS AND MATS	49.07	3.01	46.06	73.55	6.13	67.42
40169980	Gaskets, Washers & Seals	STOPPERS	0.37	18.18	-17.81	64.2	56.47	7.73
40169390	Gaskets, Washers & Seals	OTHER ARTICLES OF GASKETS WASHERS & OTHER SEAL	23.6	71.64	-48.04	62.46	125.89	-63.43
40082190	Rubber Sheets	OTHER FORM OF PLTS,SHTS,STRIPS OF NON- CELLULAR	41.78	10.2	31.58	50.91	9.01	41.9
40141010	Latex, Dipped & Medical Including Cont	RUBBER CONTRACEPTIVES MALE(CONDOMS)	26.41	1.67	24.74	49.98	0.43	49.55
40103999	Conveyor, Transmission, V Belts	TRNSMSN BLT/BLTNG OTHER THAN FLAT BLT/PLY BLT V	19.46	36.52	-17.06	49.48	34.06	15.42
40092100	Hoses	TUBES,PIPES & Hoses OF VULCNSD RUBR REINFORCED/A	33.18	20.72	12.46	46.34	18.26	28.08
40093100	Hoses	TUBES, PIPES & Hoses OF VULCNSD RUBR REINFORCED/A	20.95	13.2	7.75	42.55	16.69	25.86
40151100	Latex, Dipped & Medical Including Cont	SURGICLE GLOVES,MITTENS & MITTS	34.24	17.34	16.9	39.74	33.59	6.15

Source: Ministry of Commerce and Industry, Government of India

On the other hand, import of rubber and rubber products declined 2.6% from USD 3.8 billion to USD 3.12 billion during this period. On account of growth in exports and decline in imports, India became a net export of rubber and rubber products in 2019-20 to the tune of USD 40.97 million compared to a trade deficit of USD 1.2 billion in 2011-12.

Top 12 rubber products imported by India (fig. in USD million)								
HS Code	Product Name	Description	2011-12			2019-20		
			Export	Import	Trade balance	Export	Import	Trade balance
40169990	Rubber Sheets	OTHERS ARTICLES OF VULCANISED RUBBER EXCL. MATS	146.44	197.38	-50.94	141.69	155.83	-14.14
40022000	Tyre Retread/Camel Back	BUTADIENE RUBBER (BR)	0.83	236.03	-235.2	27.23	151.63	-124.4
40021990	Tyre Retread/Camel Back	OTHERS SYNTHETIC RUBR & PACTICE DRVD FROM OILS	7.02	557.26	-550.24	22.94	129.56	-106.62
40051000	Rubber Sheets	RUBR COMPOUNDED WTH CRBN BLACKS/SILICA	1.79	18.29	-16.5	6.54	128.73	-122.19
40023900	Tyre Retread/Camel Back	HALO-ISOBUTENE-ISOPRENE RUBR (CIIR/BIIR)	0.45	144.57	-144.12	1.56	126.59	-125.03
40169390	Gaskets, Washers & Seals	OTHER ARTICLES OF GASKETS WASHERS & OTHER SEAL	23.6	71.64	-48.04	62.46	125.89	-63.43
40023100	Tyre Retread/Camel Back	ISOBUTENE-ISOPRENE(BUTYL) RUBBER (IIR)	0.74	216.66	-215.92	6.42	86.9	-80.48
40025900	Tyre Retread/Camel Back	OTHR ACRYLONITRILE-BUTADIENE RUBR (NBR)	19.4	72.08	-52.68	1.78	84.33	-82.55
40027000	Tyre Retread/Camel Back	ETHYLENE-PRPYLENE-NON-CONJUGATED	10.13	113.64	-103.51	10.28	84.12	-73.84
40169330	Gaskets, Washers & Seals	RUBBER SEALS(OIL SEALS,ETC)	15.2	60.36	-45.16	27.56	70.2	-42.64
40151900	Latex, Dipped & Medical Including Cont	OTHER GLOVES,MITTENS & MITTS	3.34	12.37	-9.03	9.28	69.02	-59.74
40024900	Tyre Retread/Camel Back	OTHR CHLOROPRENE(CHLOROBUTADIENE) RUBR(CR)	0.43	67.21	-66.78	0.78	67.56	-66.78

Source: Ministry of Commerce and Industry, Government of India

The Rubber Policy 2019 identifies key challenges in the sector which needs to be addressed through appropriate policy intervention. Some of the challenges identified by the policy are: sub-optimal agro-climatic conditions and adverse impact of climate change, saturation of area for new planting in traditional regions, agro-climatic, topographic, social, cultural, institutional and infrastructure constraints in non-traditional regions. The policy also recognizes other challenges such as global price volatility and low-price situations and its repercussions on production, lack of competitiveness and stagnation in the growth of Non-Tyre Rubber manufacturing sector.

Considering that rubber cultivation in traditional growing regions of Kerala and Tamil Nadu has reached near saturation, there is scope for promoting cultivation in non-traditional rubber growing regions, especially in the North Eastern States, the policy suggests.

In order to strengthen the global competitiveness of the local industry, the policy calls for several measures. One of the recommended policy measures is the development of Rubber Parks as processing hubs in the private sector or under the PPP route. The policy also calls for promoting rubber consumption in road projects. Promotion of Road Rubberisation would have twin advantages of boosting rubber consumption and infrastructure durability in the long run. In order to take dedicated measures for export promotion, the policy calls for establishing an independent Rubber Products Export Promotion Council. Government may also identify and handhold export oriented clusters in the sector.

The policy also contains useful recommendations to related to skill development, strengthening research and extension services, adequate allocation of government budget for the sector, promoting production of synthetic rubber, to name a few.

Apart from these recommendations, the government should also address the inverted duty structure in the rubber sector, which is one of the complaints raised by the All India Rubber Industries Association (AIRIA). Under the inverted duty structure, import of raw rubber attracts higher customs duty than import of intermediate and finished rubber products. Other concern raised by the industry is the lack of availability of superior technology and machineries locally, which forces manufacturers to import costly machinery from abroad. The industry also alleges diversion of low cost imports of Chinese products through ASEAN countries by misusing India's free trade agreement with the ASEAN region.

If India can address these challenges, we can realize the goal of creating a sustainable domestic rubber manufacturing sector, which is one of the stated objectives of the National Rubber Policy 2019. Government and industry players should coordinate to create a globally competitive rubber sector in the country.

## Notifications

## PIB

More than 11 lakh MSMEs register under Udhyaam registration portal

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1670895>

India-Italy Virtual Summit

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1670763>

Address by Prime Minister at India-Italy Virtual Summit

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1670695>

EEPC India and National Institute of Design to work closely in medical devices sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1670641>

India can be the largest market for electric vehicle, says Minister

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1670660>