

India needs a National Policy on Aluminum

Aluminum is the most widely used metal after steel in the world. India is the world's fourth largest producer of alumina (raw material), third largest producer of value added aluminum products and fifth largest consumer of aluminum. India has the fifth largest reserve of bauxite, which is mined for producing alumina. Endowed with abundant raw material, India has the potential to become a major producer and exporter of aluminum products. Aluminum sector, which currently contributes 2% to India's manufacturing sector, has the potential to generate 8 lakh direct and indirect jobs, according to a report by NITI Aayog.

Export-Import Scenario

As the following table shows, India has a trade surplus in aluminum products as the country exports USD 4.1 billion worth of these products compared to import of USD 2.6 billion during April-December 2020. India largely exports primary products such as ingots and billets, which account for 71% of the country's aluminum exports. On the other hand, it imports scrap and ingots, besides value added products such as plates, foil etc. India is said to be the second largest importer of aluminum scrap after China.

Imports and exports of aluminium products from India (April-December 2020) figures in USD million						
EXPORTS			SHARE (%)	IMPORTS		SHARE (%)
ALUMINIUM INGOTS-NOT ALLOYED	2,648.32	64%	ALUMINIUM INGOTS	131.65	5%	
ALUMINIUM BILLETS - ALLOYED	285.15	7%	ALUMINIUM INGOTS - Alloyed	155.63	6%	
ALUMINIUM WIRE	138.37	3%	ALUMINIUM SCRAP	1,341.75	50%	
OTHR STRNDED WIRE,CBLS PLAITD BN	136.4	3%	ALUMINIUM PLATES	129.95	5%	
Others	900.65	22%	OTHER ALUMINIUM FOIL ROLLD	146.74	6%	
TOTAL EXPORTS	4,108.89		Foil	323.53	12%	
			others	148.15	6%	
			TOTAL IMPORTS	2,660.15		

Source: Ministry of Commerce & Industry, Government of India

Until 2016-17, India had trade deficit in the aluminum sector. Since 2017-18, India has been having surplus in this category because of sharp growth in exports. India's trade surplus in the aluminum sector grew from USD 196 million in 2017-18 to USD 642 million in 2019-20 and so far in the current financial year (April-December 2020) India has recorded a record USD 1.4 billion surplus.

China is the major source of import of aluminum and it is followed by USA, UAE and Malaysia. Import from Malaysia has benefitted from India's free trade agreement with ASEAN region. Despite this, India has trade surplus of USD 895 million with Malaysia as of April-December 2020. India also has trade surplus with South Korea, Taiwan, Mexico, Singapore, Bangladesh and Brazil, while it has trade deficit with China, UAE, Saudi Arabia, UK, Bahrain and Australia.

Aluminum is a light-weight metal and it is widely used in critical industries such as defence, aerospace, construction, railways, electricity, machinery etc. As a result, industrialized countries such as USA, Russia, South Korea and China have identified aluminum as a strategic metal and given special policy thrust on its production. In this context, India's policy think tank NITI Aayog has suggested the

government to launch a National Policy on Aluminum, with focus on demand augmentation and capacity addition.

India has three large firms, NALCO, Hindalco and Vedanta in the upstream sector, where primary or unwrought aluminum is produced from bauxite. In the downstream sector, there are more than 150 large and mid-sized companies producing various kinds of value added aluminum products. There are also some local companies engaged in recycling aluminum from scrap. It may be recalled that aluminum scrap accounts for 50% of India's aluminum imports because of the lower duty of 5% on its imports, compared to 7.5% duty for import of ingots and billets. NITI Aayog has suggested the government to introduce a Material Recycling Policy to create awareness about reduce, reuse and recycle aluminum. Considering the power-intensive nature of the sector, NITI Aayog has suggested a separate policy for supplying electricity to aluminum sector at a globally competitive rate.

India's per capita consumption of aluminum is low at 2.5 kg, which is far lower than the global average of 11 kg. Aluminum in India is largely consumed by electrical industry (43%), transportation (19%) and consumer durable (15%) sectors. However, as India provides renewed thrust on infrastructure and sustainable development, demand for aluminum will increase in sectors such as railways, power transmission, electric vehicles, packaging and construction.

In this context, India should announce Aluminum as a strategic metal and launch a National Policy on this sector to promote production, recycle and export of aluminum.

Notifications

Press Information Bureau

APEDA organizes virtual fair to boost export of agro commodities

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1704072>