

# IMPACT OF IMPORT RESTRICTION OF TYRES ON THE DOMESTIC TYRE AND RUBBER PRODUCTION SECTORS IN INDIA: A SHORT-TERM REVIEW

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Received: 27 October 2022

Accepted: 17 November 2022

Siju, T. (2022). Impact of import restriction of tyres on the domestic tyre and rubber production sectors in India: A short-term review. *Rubber Science*, 35(2): 177-185.

The paper attempted a short-term review of the import restriction for tyres brought in by the Government. The paper reveals that the policy change has considerably reduced import of tyres into India and has contributed positively towards achieving its perceived objectives of protecting and nourishing the domestic tyre manufacturing sector. But the benefits being enjoyed by the tyre manufacturing sector due to the import restriction, which is the major consumer of NR in the country, has not percolated to the upstream rubber production sector, as there exists significant difference in price of NR in the domestic and international markets. Lower price of NR in the international market depresses price in the domestic market badly affecting the production sector. Hence, suitable policy interventions are suggested to support the domestic rubber production sector.

**Keywords:** Natural rubber, Price, Tyre export, Tyre import, Tariff rate

Auto tyres and tubes sector is the prime consumer of natural rubber (NR) in India. The sector accounts for 73 per cent of the total consumption of NR in the country (Rubber Board, 2022). Total turnover of Indian tyre industry in 2020-21 was Rs. 60,000 crores (ATMA, 2022). Thus intake of rubber by the sector is the prime driver of demand and price of natural rubber in the domestic market. Policy changes by the Government, which directly influence the tyre sector, are presumed to have a strong bearing on the demand and price of NR in the domestic market.

The Government of India in June 2020, revised the import policy of new pneumatic

tyres covered under ITC HS codes (Indian Trade Clarification based on Harmonized System of Coding) 40111010, 40111090, 40112010, 40112090, 40114010, 40114020, 40114090, 40115010 and 40115090 from 'Free' to 'Restricted'. The prime objective of the shift in government policy has been to support the domestic tyre manufacturers from cheap tyre imports, particularly from China and to help the domestic industry to tide over the slump in the domestic market owing to demand constraints resulted from the COVID pandemic.

The change in the import policy mandated licence or permission from the Directorate General of Foreign Trade (DGFT)