

# OVER-DEPENDENCE OF INDIAN RUBBER INDUSTRY ON IMPORTED NATURAL RUBBER: THE QUESTION OF LONG-TERM SUSTAINABILITY

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Indian rubber industry is a major contributor to the country's manufacturing GDP and national economy, including earning significant foreign exchange through export of rubber products that was close to US\$ 2.5 billion during 2016-17. Natural rubber (NR) has a dominant role in the Indian rubber industry as it constitutes nearly 65 per cent of the total amount of rubber the industry consumes. In recent years, NR production has been declining in the country largely as a result of growers abstaining from tapping the trees because of non-remunerative price. Despite its declining domestic production, NR consumption continued to grow, albeit at lower rates, with substantial imports of NR.

There are indications that Indian rubber industry may be losing its momentum and its contributions to the economy are on the decline in recent years even as the industry started to become overly dependent on imported NR. There are structural changes happening to the rubber sectors of major NR exporting countries and seamless availability of cheap NR in the international market cannot be taken for granted forever. Indian rubber industry is too important for the country to be left to the uncertainties and vagaries of NR supply in the global market in the long run. With the current per capita NR consumption in India one of the lowest in similar economies, the country will require unhindered supply of this critical raw material in increasing amounts for the continued growth of Indian rubber industry.

Over-dependence of the Indian rubber industry on imported NR may pose serious challenges to its sustainable growth and competitiveness. The longer the present decline in domestic NR production continues, the more difficult it will be to reverse the trend because of the long gestation period and the perennial nature of this tree crop. Therefore, proactive steps to consolidate the domestic NR production base with adequate public investments are urgently required to ensure sustained domestic supply of NR to the Indian rubber industry.

**Key words:** Indian rubber industry, NR production, NR supply, NR trade, Rubber products

## INTRODUCTION

Huge and sustained demand for natural rubber (NR) as a result of industrial revolution and its extremely high price (which went up to as much as US\$ 6 kg<sup>-1</sup> in 1903) was responsible

for starting its cultivation as a commercial plantation crop in the late 19<sup>th</sup>/early 20<sup>th</sup> centuries. At the time of the two World Wars and afterwards, the Allies as well as Germany were highly concerned about the