

Inverted duty structure makes domestic manufacturers uncompetitive, discouraging value addition: FICCI Survey

*Pumps for liquids, Tyres, Electronic Hardware, Electrical Equipments, Medical Instruments,
Aluminum & articles & Technical Textiles feeling the heat*

NEW DELHI, August 11, 2012. According to a ‘**FICCI Survey on Inverted Duty Structure in Indian Manufacturing Sector**’, imported raw material users in a range of manufacturing industry segments are in a spot due to inverted customs duty structure that makes them uncompetitive against cheaper finished product imports and discourages domestic value addition.

The FICCI Survey reveals that **manufacturing segments that are suffering due to inverted duty structure are: Pumps for liquids, Tyres, Electronic Hardware, Electrical Equipments, Medical Instruments, Aluminum & articles and Technical Textiles.**

The findings of the survey assume importance as India is now a part of a number of regional or bilateral Free trade Agreements (FTA) with many countries including Japan, ASEAN and South Korea. These FTAs aim to provide equal opportunity to Indian players in terms of market access. However, the higher import duty on raw materials results in an inverted duty structure that makes certain Indian manufactured goods (those dependent on imported raw materials) uncompetitive in both domestic and export markets.

In addition to the duty anomaly created by FTAs, the survey notes that many a time importers derive the benefit of lower duty or zero duty, due to some special exemptions such as nil duty on project imports and certain defence purchases. However, domestic manufacturers are not eligible for any matching concessions to nullify the impact of such duty anomaly. The survey, therefore, recommends that domestic manufacturers be provided a level playing field vis-à-vis imports under FTAs and various duty concession schemes.

Survey Link: http://ficci.com/Sedocument/20122/Manufacturing_Survey_Report_Jan-_Mar_2011.pdf

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